

Shadow of sanctions adds to Serbian woes

By Laura Silber in Belgrade

The president of Serbia's Chamber of Commerce yesterday warned of the urgent need for foreign capital to jump start the economy as the international community threatened to re-impose sanctions over the war crimes issue.

"The economy needs \$1.5bn a year in order to develop, which cannot be raised only from domestic capital," Mr Vukobrat Stojiljkovic said in yesterday's issue of Politika, the pro-government Serbian daily newspaper.

Western diplomats say foreign investment is unlikely to begin until Yugoslavia gains access to international financial institutions.

His remarks came against a background of threats to renew UN sanctions on Belgrade. Sanctions were suspended in November after 42 months, when President Slobodan Milosevic of Serbia endorsed the Dayton peace accords.

But Mr Milosevic has failed so far to arrange the handover of Mr Radovan Karadzic, the Bosnian Serb leader, and his military commander, General Ratko Mladic, to The Hague war crimes tribunal. Under the Dayton agreement, the rival Balkan leaders agreed to extradite indicted war criminals.

The UN security council on Tuesday deplored Belgrade's "continued failure" to arrest Gen Mladic, which it said "cannot be justified". The sharply worded statement was read by the security council president, Mr Qin Huasun of China. Belgrade relies on China as an ally.

Renewed sanctions would have a serious effect on Serbia's economy which is still in a shambles after the previous sanctions, the collapse of trading among the former Yugoslav republics and the cost of backing Serb fighters in neighbouring Bosnia. More than half of the country's workforce is unemployed, most factories have closed down and the average monthly wage is down to about \$100.

Mr Milosevic wants to stave off the re-imposition of sanctions, but fears a backlash within the political and military establishment and among Serbs if Mr Karadzic were arrested.

"More sanctions would also be very difficult for Milosevic to justify," said Mr Vujacic, an MP with the opposition Democratic party.

Mr Milosevic has blocked proposed economic reforms including privatisation, the full liberalisation of foreign trade and the restructuring of the banking system.

He has also vetoed an agreement with the International Monetary Fund giving ring fence Yugoslavia - Serbia and Montenegro - access to international financial markets.



Belgrade waiting game: Over half the workforce is unemployed, most factories have closed and the average monthly wage is \$100

Belgrade has refused to join the IMF unless Yugoslavia is named as the sole successor to the former communist federation of six republics as opposed to one of five successor states.

A fortnight ago Yugoslavia's central bank governor, Mr Dragoslav Avramovic was sacked because he was willing to accept the IMF's terms, the same conditions endorsed by

the other former Yugoslav republics. Even if sanctions are not renewed, Mr Vujacic predicts another spate of hyperinflation in Yugoslavia - in December 1993 inflation made the dinar worthless and only its pegging to the D-Mark saved the situation. "Sanctions would mean a return to hyperinflation, but that will happen in any case."

French banks warned on service

By Andrew Jack in Paris

French banks must improve the quality of service to customers, but must also increase their charges to return to profitability, the head of a government watchdog body said yesterday.

Mr Benoit Jolivet, head of the consultative committee of the National Credit Council, part of the Bank of France, said the move towards a single European currency was likely to create a more competitive environment in which current accounts could be interest-bearing - a policy currently illegal in France.

In exchange, there was a need for banks to charge fair prices for services, including the use of cheques.

His comments came during a discussion arranged by the French senate on the financial troubles facing the French banking sector.

A number of participants argued that French banks were earning substantially lower margins on loans to clients than foreign competitors, with some even offering loans at a loss.

Mr Michel Freyche, head of the French Banking Association, said the country's mutual banking sector, the Post Office and the National Savings Bank, had unfair advantages because they were not obliged to provide dividends to shareholders.

Mr Rene Barberey, chairman of the Caisse d'Epargne, the French savings bank network, argued for "co-existence" with the commercial banking sector, stressing that his organisation maintained employment, paid substantial taxes and was free of control by "American rentiers" which he claimed controlled the country's quoted banks.

Mr Francois Herod, head of the supervisory board of Credit du Nord, said the low levels of profitability among French commercial banks were the result of "a collective folly" dating back a number of years to when the financial sector was deregulated.

Czech party leaders fight poll duel in Moravia

The depressed industrial region highlights the divisions created by economic reform, writes Vincent Boland

Mr Vaclav Klaus, the Czech prime minister, is not only standing for re-election in the depressed industrial heartland of northern Moravia but he is in a straight fight with the leader of the opposition.

The last opinion poll permitted before the general election tomorrow and Saturday showed that Mr Klaus's centre-right Civic Democratic party was 6 points ahead of Mr Milos Zeman's Social Democrats nationally but the intriguing contest is whether Mr Klaus can inflict a double defeat on Mr Zeman by winning more personal votes in Moravia, where they both head their respective party lists.

Northern Moravia is a key battleground between the parties because it is the region which above all bears the scars of the economic revolution Mr Klaus has brought



about. Close to the borders with Poland and Slovakia, it is dominated by steel mills, coal mines and smelting factories but it also has many new service industries which have benefited from Mr Klaus's reforms. Ostrava, the region's main city, has been choking on the

huge Vitkovice steel plant since the 1820s. Executives at the plant say a massive environmental project has cut pollution dramatically, and they now claim, somewhat against the evidence, that the city is "cleaner than Prague."

The plant has laid off more than 16,000 workers since 1989, but the boom in services unleashed by Mr Klaus's reforms has provided alternative jobs and kept regional unemployment not much above the national average of 3 per cent. In the past few years the region also has become a centre of rising foreign investment.

The huge numbers of people who have changed employment in the past few years, leaving traditional industries to work in services, tend to support Mr Klaus. Those who have remained in traditional industries and those who have retired on small pensions are

Mr Zeman's biggest constituency. Commentators suggest there is a growing generation gap among voters, a gap evident at party rallies, with more young people turning up to hear Mr Klaus than Mr Zeman. Polls suggest that over 60 per cent of support for Mr Klaus's centre-right Civic Democratic party is from under-45s while supporters of the Social Democrats are more elderly.

Young people appear more impressed by Mr Klaus's firm leadership than Mr Zeman's caution and, in particular, by the vagueness of the Social Democrats' economic policy. This generation gap is reflected in the party hierarchies. Mr Klaus enjoys giving economic lectures to students around the country, and has attracted large numbers of young Czechs to his party who appreciate the wider career opportunities thrown up by

economic reforms. They make a youthful contrast with the ageing advisers and officials at the top of the Social Democrats.

Mr Kamil Janacek, a minister in the federal government

with Mr Klaus in the early days of Czechoslovak democracy after the Velvet Revolution and now the chief economist at Komerční Banka, notes "the lack of competent young professionals inside the CSSD". Mr Klaus emphasises the country's standing abroad as much as his achievements at

home when addressing voters. He trumpets the government's achievements of privatisation, low inflation and OECD membership, and stresses the need for four more years to consolidate them. Miroslav Novak, a

student at the Technical University in Ostrava, says: "I think Klaus deserves another [term]. What he has done is good. It is very hard for me to trust the Social Democrats."

Mr Zeman, who has been campaigning in the area almost exclusively since March, says he chose to run in northern Moravia because "in

politics, as in sport, one chooses one's toughest opponent". In contrast to Mr Klaus, Mr Zeman has sought to keep the issue of low wages to the fore, as well as the parlous state of the health service and the rising cost of medicines, issues of particular importance for northern Moravia's many older voters. One such, Mrs Jaroslava Kulhankova, a pensioner out shopping, says she is not convinced by Mr Klaus's prediction that incomes will double in the next four years. Complaining about the rising cost of medicines, saying she will be voting Social Democrat.

Older voters outnumber the young throughout Moravia, which has a rural, conservative south but observers expect a high turnout among young voters and the contest between the two prospective prime ministers could be close.

Mr Francois Herod, head of the supervisory board of Credit du Nord, said the low levels of profitability among French commercial banks were the result of "a collective folly" dating back a number of years to when the financial sector was deregulated.



BOLSA DE VALORES DE LISBOA

Over the past four years, the Lisbon Stock Exchange has undergone fundamental reforms aimed at becoming a more efficient, transparent and well regulated market.

Among which, we'd like to emphasize:

The implementation of TRADIS, a continuous computer trading system, provides physical settlement at t+3, supported by a Central Depository and Clearing House, and financial settlement at t+1, guaranteed by the Central Bank, through individual current accounts of each authorized participant.

The concentration of the cash market in Lisbon is aimed at providing lower costs and greater liquidity. A new derivatives market will soon be opening in Oporto.

The launching of a special market for block trading of Corporate and Treasury bonds.

The BVL Index, based on the most liquid securities, continuously and discloses its movements.

These reforms are part of the most advanced stock exchange in Portugal, among the most advanced stock exchanges in Europe.

For further information please contact: Bolsa de Valores de Lisboa, Edifício da Bolsa - Rua Sacro Pontifício, 100 - 1000 Lisboa. Phone: 0351 219 70 31 - Fax: 0351 219 70 32. Internet Web Server: http://www.bvl.pt

ASSOCIATE MEMBERS

- ASCOR DEALER - Sociedade Financeira do Corretor, SA. Rua de Camões, 131 - 3º/4º - 1100 Lisboa. Tel: 21278278 Fax: 3476236
- BSN DEALER - Soc. Financeira de Corretagem, SA. Av. Eng. Duarte Pacheco, Complexo Amplitude Torre 1 - 4º - Subs 1 - 1000 Lisboa. Tel: 2801200 Fax: 3377019
- COMERCIAL DEALER - Sociedade Financeira do Corretor, SA. Av. José Frutuoso, Lote 1668 - 01 - 1070 Lisboa. Tel: 272 0110 Fax: 7272970
- CORRETORA ATLANTICO - Sociedade Financeira do Corretor, SA. Av. Barbosa do Seixas, 45 - 1º - 1000 Lisboa. Tel: 7030264 Fax: 7907739
- ESSE - Sociedade Financeira do Corretor, SA. Rua Teófilo Garcia, Torre 3, 11º - Amoreiras - 1070 Lisboa. Tel: 2885616 Fax: 3825705
- IFE DEALER - Soc. Financeira do Corretor, SA. Rua General Filipe Miguel, 3 - 9º - Teófilo Garcia. Tel: 7222163 Fax: 7372593
- CENTRAL DE INVESTIMENTOS - Soc. Financeira do Corretor, SA. Rua Castilho, 210 - 4 - 1070 LISBOA. Tel: 381400 Fax: 3070793
- SOFIN - Sociedade Financeira Internacional, Sociedade Geradora de Valores Mobiliários, SA. Duque de SA. Complexo Amplitude, Torre 1 - 4º - Subs 9, 10, 11 - 1070 Lisboa. Tel: 3800700 Fax: 3910000
- INVESTIMENTOS - Soc. Financeira do Corretor, SA. Av. de Camões, 24 - 1º - 1000 Lisboa. Tel: 2799123 Fax: 2964871
- M VALORES - Soc. Financeira do Corretor, SA. Av. 24 de Junho, 80 - 1000 Lisboa. Tel: 3923088 Fax: 3935916
- BSV INTERACTIVOS - Portugal - Soc. Financeira do Corretor, SA. Av. do Urbitado, 222 - 1º - 1250 Lisboa. Tel: 311 72 55 Fax: 311 75 88
- AVDAS CORRETORES - Soc. Financeira do Corretor, SA. Campo Pequeno, 45 - 7º - Edifício Taurus - 1000 Lisboa. Tel: 790000 Fax: 7639121/3/5/6
- L. CARREDORES - Sociedade do Corretor, SA. Rua das Flores, 276 - 278 - 4250 Porto. Tel: 021 6079220 Fax: 021 6079287
- CEL - Sociedade Brasileira Internacional, Sociedade Geradora de Valores Mobiliários, SA. Rua de Camões, 131 - 3º/4º - 1100 Lisboa. Tel: 21278278 Fax: 3476236
- POURO - Soc. Geradora de Valores Mobiliários, SA. Rua João Pais, 1 - 1000 Lisboa. Tel: 21278278 Fax: 3476236
- INCO DEALER - Soc. Financeira do Corretor, SA. Av. de Balse, 24 D - 8º - Rua Leiria Alves - 1000 Lisboa. Tel: 7919200 Fax: 7919211
- FINANCA CORRETORES - Soc. do Corretor, SA. Av. dos Concheiros, Torre 1, Lote H - M A - 1000 Lisboa. Tel: 21278278 Fax: 7265310
- TITULO - Sociedade do Corretor, SA. Ed. Finanças, Av. do Balse, 10 - 5º - 1000 Lisboa. Tel: 7919200 Fax: 7927257
- FINCO - Sociedade do Corretor, SA. Rua Bernardino, 9 - 7º - 1000 Lisboa. Tel: 3155599 Fax: 340916
- PARA - Sociedade do Corretor, SA. Av. de Balse, 25C - 10 - Subs 002 - 1100 Porto. Tel: 011 41187 Fax: 011 41184
- DO CORRETORES - Soc. Geradora do Valor Mobiliário, SA. Rua Camões, 10 - 1º - 1000 Lisboa. Tel: 3111204 Fax: 382 54 99

NEWS: THE AMERICAS

Bad news from back home jolts the president

Jurek Martin finds the White House deflated by the convictions handed down in the Whitewater fraud trial

The deflation within the White House at the news from the Arkansas courtroom late on Tuesday afternoon was palpable. A total of 24 guilty counts against Mr and Mrs Bill Clinton's former real estate business partners and the president's successor as governor of Arkansas destroyed growing hopes that a central pillar of the long-running Whitewater investigations would crumble to dust under the weight of acquittals.

Disappointment was obvious in the president's voice and face as he commented briefly on the outcome, praising the jury's diligence but wondering openly why they had appeared to believe Mr David Hale, a convicted felon, and not his own video-taped testimony for the defence of Mr and Mrs Jim McDougal.

Confident expectations of exoneration were expressed even more powerfully by Mrs Hillary Clinton, the president's wife, in an interview with Mr Jim Lehrer, of public television, recorded less than an hour before the verdicts came but broadcast later in the evening.

They said, a complicated "paper trail" case and the president's apparent ignorance of the facts taken at face value, meant that his evidence was not material. That point was also made by Mr Kenneth Starr, the Whitewater special counsel, and even by Congressman Jim Leach, chairman of the House of Representatives banking committee and a long-time White-water scourge.

Mr Clinton praised the jury, but wondered why they had appeared to believe a convicted felon and not his own video-taped testimony

But the special counsel may, in the opinion of legal experts, now have leverage to question the McDougals and Mr Tucker (the governor is to resign next month), on issues involving the Clintons but not yet covered in any court trial.

The extent to which the issue is now academic may depend on the amount of general media coverage it now draws. That, in turn, may hang on Mr Starr's investigations and any now generated in Congress, with just over five months to go before the country votes.

Dole takes silent advantage from Clinton fall-out

By Patti Waldmeir in San Diego

The conviction of President Bill Clinton's former business partners, in the Whitewater trial, is the best news Senator Bob Dole, Mr Clinton's presidential campaign rival, has had in months. But no one is going to catch him saying so.

delighted. He is not a man who regularly betrays emotion - unlike his rival - so any slight change is immediately noticeable. As Mr Dole kept reminding the travelling news media corps on Tuesday, he has never commented on Mr Clinton's Whitewater difficulties.



A glum incumbent: Bill Clinton might still be well ahead in the opinion polls, but it's Bob Dole's week so far

Rifkind hits at Cuba trade curb

By Bruce Clark, Diplomatic Correspondent

Mr Malcolm Rifkind, the British foreign secretary, said yesterday that the US was threatening western unity and hurting its own interests by penalising European companies that trade with Cuba.

He likened the legislation, called the Helms-Burton law after its congressional sponsors, and efforts by Congress to pass similar measures to stop the Europeans from trading with Iran and Libya, to the Arab boycott on companies dealing with Israel, which all western countries had resisted.

from dealing with Cuba. He likened the legislation, called the Helms-Burton law after its congressional sponsors, and efforts by Congress to pass similar measures to stop the Europeans from trading with Iran and Libya, to the Arab boycott on companies dealing with Israel, which all western countries had resisted.

agricultural subsidies." Our Foreign Staff reports: The US was yesterday sending letters to Canadian, Italian and Mexican companies to warn them that they may be hit by US sanctions under the Helms-Burton law, a US government source said.

An elephant in the living-room

Colombia's Congress is debating a growing drug scandal, writes Sarita Kendall

Two years after the release of tape recordings which suggested that drug money had infiltrated the 1994 election campaign of President Ernesto Samper of Colombia, the issue is being debated in Congress.

president's lawyer and the prosecutor-general may take part in the debate, which formally started on Tuesday and is limited to 15 days.

Much of the case against him rests on statements by the former campaign officials arrested 10 months ago. Evidence from imprisoned Cali cartel leaders who are supposed to be co-operating with justice is never mentioned.

public sparring among Colombia's foremost institutions, especially between the prosecutor-general's office and the attorney-general, who is now under arrest for alleged receipt of drug money.

Portugal's most experienced international bank



Banco Totta & Acores is the result of mergers and acquisitions of several banks and finance houses over the years, dating back to 1843. Proud of its past, Banco Totta & Acores is now one of the leading banks in Portugal. But more than just a bank, Totta became the true expression of a powerful financial group.

- NEW YORK AGENCY: 590, 5th Avenue - New York - NY 10036 - USA
NEWARK AFFILIATED CO: 46, Ferry Street - Newark - New Jersey 07103 - USA
NAIAGATUCK AFFILIATED CO: 215, Church Street - Naugatuck - CT 06470 - USA
TORONTO REPRESENTATIVE OFFICE: 1110, Dundas Street West - Toronto - Ontario M6J 1J3 - CANADA
CAYMAN ISLANDS BRANCH: P.O. Box 501 - Grand Cayman - BRITISH WEST INDIES
MACAU BRANCH: Rua de Prata Central, 27 - 1° - P.O. Box 912 - MACAU
LONDON BRANCH: 68, Cannon Street - London EC4N 4LQ - ENGLAND
MILAN REPRESENTATIVE OFFICE: Via S. Pietro all'Orto, 1 - 20121 Milan - ITALY
AMSTERDAM REPRESENTATIVE OFFICE: Ludovigste 9 - 1017 NA Amsterdam - HOLLAND
LUXEMBOURG BRANCH: Avenue de la Liberté, 27 - L-1911 LUXEMBOURG



TRADITION - EXPERIENCE - DYNAMISM SINCE 1843



A beleaguered incumbent: Congress is expected to clear Ernesto Samper, but the political crisis would remain

However, expectations of the proceedings in Congress are not high. These have been variously described as a farce, a circus and the debate of the century - whichever is the case, no result will be enough in itself to dispel the country's political crisis.

with violating legal procedures if they disregard evidence clearly had created unesse. But, given that the final vote will probably be secret, it is difficult to see how the court would know whom to charge.

or its finances. However, with drug contributions estimated at \$6m or more, his failure to notice them led the president of the Colombian bishops' conference to comment that it was like not noticing an elephant in one's living-room.

Although the political crisis is only partly responsible for the current declaration of the economy, it has created a sense of paralysis on many fronts, including the government's inability to counter a resurgence in guerrilla and paramilitary activity.

Last week, an investigating commission sent the House of Representatives its recommendation that the charges against the president - including fraud, illegal enrichment and covering his tracks in these matters - should be dropped.

If the house votes to accuse Mr Samper, the case will pass to the Senate, where there is also a Liberal majority. The Senate is the only body which can decide whether to impeach the president.

"The president and his lawyers have managed to convert everything into a legal, instead of a political, problem," said Mr Carlos Caballero, head of the Bogotá stock exchange.

The whole matter has shown up a lack of political opposition and leadership. Mr Samper has used his considerable political skills to stay in power, despite the fact that most Colombians believe he knew about cartel's contributions to the campaign.

SEND US YOUR OWN PAPERCLIP. And while you are at it, please attach your cheque to fund more Macmillan Nurses in the fight against cancer. (Did you know over one million people are living with it?) Enter amount £..... made out to: 'CRMF (F7)'. Send to: CRMF FREEPOST LONDON SW3 3BR. THE Macmillan Appeal. Cancer Relief Macmillan Fund exists to support people with cancer and their families. Regd. Charity No. 261017

CONTRACTS & TENDERS. INVITATION FOR BIDS. COMPANHIA PARANAENSE DE ENERGIA - COPEL, invites sealed bids from bidders for furnishing the following goods: INTERNATIONAL BID DPAQ - 4486. POWER TRANSFORMERS, three-phase 69-13.5kv/41.87MVA, ... 2PCs 138-34.5kv/41.87MVA, ... 1PC 34.5-13.5kv/41.87MVA, ... 2PCs. GROUNDING TRANSFORMERS, three-phase 15 kv, 3000A/10s, ... 2PCs 15 kv, 3000A/10s, ... 2PCs 15 kv, 1000A/10s, ... 2PCs. A complete set of Bidding Documents in English/Portuguese may be purchased by Bidders at the address given below, against payment of a non-refundable fee of US\$ 40.00 per set. COPEL International Bid DPAQ 4486 will be opened in public, on July 22nd, 1996 at 2pm (Local Time) at the address given below: COMPANHIA PARANAENSE DE ENERGIA - COPEL, Supply Superintendency - SSU, Acquisition Department - DPAQ, Rua Pedro Ivo, 750, 63010-020 CURITIBA - PR - BRASIL. Telephone: 55 (41) 322-4040 - Extension 2206/2227. Telefax: 55 (41) 331-4147. COMPANHIA PARANAENSE DE ENERGIA

LEGAL NOTICES. In the High Court of Justice - No 982382 of 1996. Chancery Division. Companies Court. IN THE MATTER OF EPTAXIAL PRODUCTS INTERNATIONAL LIMITED. IN THE MATTER OF THE COMPANIES ACT 1985. NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 15th May 1996 confirming the reduction of the capital of the above named Company from £3,000,000 to £1,000,000 and the Minute approved by the Court standing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were received by the Registrar of Companies on 21st May 1996. DATED the 23rd day of May 1996. Rowe & Moxon, 201 Broadwalk Lane, London EC4V 6HD, Sol 224. Solicitors for the said Company. APPOINTMENTS ADVERTISING. 6 years in the UK edition every Wednesday. 6 years in the International edition every Friday. For further information please call: Andrew Warwick on +44 (0)20 773 4054. Tony Fisher/Chris on +44 (0)20 773 3426.

Handwritten Arabic text at the bottom of the page.

Taiwanese group 'in \$3.8bn China deal'

By Laura Tyson in Taipei

Formosa Plastics, Taiwan's biggest industrial group, is understood to have finalised a deal to build a US\$3.8bn thermal power plant in China's Fujian province. The deal comes only two months after an intense military stand-off between Beijing and Taipei.

Due to the cross-strait sensitivities Formosa Plastics is refusing formally to announce the deal, which is designed to fuel Fujian's largely Taiwan-backed economic boom.

Taiwanese media have reported the deal widely, citing

unnamed Fujian officials and Formosa executives.

Formosa Plastics' chairman, Mr Wang Yung-ching, and provincial government officials signed contracts on Tuesday under a cloak of secrecy.

Mr Wang went on to Beijing yesterday to meet senior officials to discuss the group's China investment plans, which include several other power plants.

Formosa Plastics executives in Taiwan and the US declined to give confirmation of the project, which has been under consideration for at least six months, and has been handled

personally by Mr Wang.

"We're unclear about this plan," said a spokeswoman at Formosa Plastics. "Only our

The project is designed to fuel Fujian's largely Taiwan-backed economic boom

law and individually screens projects worth more than a few million dollars. In 1992, Formosa Plastics bowed to government pressure and backed away from building a planned US\$6bn petrochemical complex in Xiamen, on the coast of Fujian province.

It is understood that, in an effort to circumvent Taiwanese restrictions, investment in the power plant project is being routed through a Formosa Plastics subsidiary in the US.

It is not clear what stakes Formosa Plastics and the Fujian government will take in the project, whether there are

any other investors or how the financing will be raised.

The natural gas-fired plant, to be located in Changzhou city, will have six generators and a capacity of 3,600MW. The first generator will start producing electricity in 1999.

Formosa Plastics' share of the project would be by far the largest Taiwanese investment in China. To date 25,000 Taiwanese companies have committed themselves to invest a total of about US\$24bn, making Taiwan China's second-largest foreign investor.

Taipei recently lifted a complete ban on companies invest-

ing in the power generation sector in China, but the government may be extremely reluctant to approve an investment the size of that planned by Formosa Plastics.

Formosa Plastics' project has received close attention from China's central government and has been given preferential treatment, including five years without tax, plus five years at half-tax rates after the plant begins to turn a profit. The government has provided land, coal, access to harbours, a higher return for electricity sales and other incentives.

WORLD TRADE NEWS DIGEST

Athens airport finance cleared

The European Commission yesterday cleared an Ecu2.15bn (\$2.6bn) financing package for construction of Athens' new Spata airport, Greece's biggest transport infrastructure project, saying it did not constitute anti-competitive state aid. The project to build what will become Greece's main airport, 26km from Athens, attracted controversy last year when the contract went to a German consortium, despite fierce lobbying by France.

The airport funding package includes grants from the Greek government, preferential tax treatment, state loans and guarantees. The project is receiving support of Ecu250m from the EU's cohesion fund, which provides grants to poorer regions, and an Ecu1bn loan from the European Investment Bank. The support offered is believed to be the "minimum necessary" to secure the interest of private investors.

The airport will initially serve about 15m passengers a year when it opens at the end of the year 2000. Athens' existing airport at Hellenikon will close. The airport is being developed as a joint venture between the Greek state and a consortium comprising Hochtief, ABB Calor, Enag Schaltenlagen and H. Krantz.

Neil Buckley, Brussels

Swiss get mixed 'bill of health'

Switzerland's economic and trade regime was yesterday given a mixed bill of health by trading partners in the World Trade Organisation. Discussing a report drawn up by the WTO secretariat, countries complained the Swiss market was hard to penetrate, despite a generally liberal trade regime for manufactured goods.

Domestic agriculture remained heavily protected despite planned reforms. In the non-agricultural sector, the strength of the Swiss franc and lower import prices had not translated into significant domestic price cuts. In the services sector, a variety of obstacles, including work permit regulations, inhibited foreign competition. Trading partners urged Switzerland to press ahead with measures to ensure more genuine openness in the economy.

Frances Williams, Geneva

Venezuela signs rail deal

The Venezuelan government yesterday signed an \$800m contract with the Italian-Japanese-Venezuelan consortium, Conty Medio, to build a commuter railway linking Caracas with the suburb Valles del Tuy. Half the project's cost will be financed by the Venezuelan government and the other half by Conty Medio. The railway begins service in 2001 and will carry 180,000 passengers a day. The government will only subsidise the fare by up to 30 per cent. This rail segment is the first of a planned 650km network linking Caracas with Acarigua, 300km to the west.

Raymond Collitt, Caracas

NEC in satellite venture

ICO Global Communications, set up last year by Inmarsat to develop a satellite-based worldwide mobile phone system, has placed contracts worth \$500m with a consortium led by NEC of Japan for ground systems, it said yesterday. Upgrades until 2010 are expected to be worth a further \$150m.

The consortium includes Hughes Network Systems of the US and Ericsson of Sweden. NEC is taking an equity stake in ICO, and becomes a strategic partner in the project, which intends to place 12 satellites in medium Earth orbit by 2000, providing customers with voice, data, fax and messaging services to and from anywhere in the world.

Alan Cane, London

Portugal wins Siemens chip plant project

By Peter Wise in Lisbon

Siemens, the German electronics and electrical engineering group, has chosen Portugal as the site for a E600m (\$380m) memory chip plant that will create 750 jobs.

Portugal's quality control capabilities - in addition to political stability and high investment incentives - were a decisive factor in the choice, in spite of fierce competition from eastern Europe, Siemens said.

Portuguese newspapers said the Czech Republic, Ireland, the Philippines, Malaysia and China had been short-listed with Portugal, but Siemens declined to comment on other candidates. Siemens' decision was also influenced by its long-term presence in Portugal, where it already has five plants employing 5,000 people.

Mr Helmut Kohl, the German chancellor, is to preside at the signing of a protocol in Lisbon today that sets the terms for further negotiations on a formal investment contract between Siemens and Portugal.

The plant, which is to begin production near Oporto by the end of 1996, represents the second biggest foreign investment in Portugal and the first impor-

tant inward investment negotiated by the socialist government since it took office six months ago.

The plant will have the capacity to produce 150m 16MB D-ram (dynamic random access memory) chips a year and is later expected to upgrade for the production of 64MB and 256MB D-ram chips.

Mr Augusto Mateus, Portugal's economy minister, said yesterday that the upgrading of Portuguese companies was an important part of the agreement with Siemens. By 2007, the Oporto plant is expected to use as much as 70 per cent Portuguese inputs.

Mr Mateus said the extent of financial incentives - which will be limited to a maximum of 40 per cent of the total investment - would depend on Siemens' performance in relation to targets, including sales volume and technical advances in the plant's output.

He acknowledged that Portugal's incentives weighed heavily in Siemens' decision. But he added the incentive package covered training, operational facilities, technology and know-how transfers and regional development, as well as fiscal benefits and EU-financed grants.

Europe seen slipping behind in global competitiveness

By Frances Williams in Geneva

Singapore, Hong Kong and New Zealand top the list of the world's most competitive countries, ahead of the US in 4th place, according to the Geneva-based World Economic Forum.

Its Global Competitiveness Report, published yesterday, says the European Union is slipping behind many parts of the world in economic competitiveness, weighed down by a costly social welfare system.

"Five of the six most competitive nations are small, open economies with relatively small governments and low tax rates," the report notes.

The WEF report, which covers 49 countries, follows publication earlier this week of a competitiveness league table compiled by the International Institute for Management Development (IIMD), the WEF's former collaborator.

Luxembourg is the only EU member to feature in the WEF's top ten, with Denmark in 11th place.

Britain, which is ranked 15th, beats the EU's other big economies, ranking ahead of Germany (22nd) and France (23rd).

Outside Asia, Chile is the highest ranking developing country (18th).

The WEF says its rankings, aimed at identifying the countries with the best growth prospects over the next 5-10 years,

Competing competitiveness reports

Country	World Economic Forum Rank	IIMD Rank
Singapore	1	2
Hong Kong	2	3
New Zealand	3	11
United States	4	1
Luxembourg	5	8
Switzerland	6	9
Norway	7	6
Canada	8	12
Taiwan	9	18
Malaysia	10	23
Denmark	11	5
Australia	12	21
Japan	13	4
Thailand	14	30
United Kingdom	15	18
Finland	16	15
Netherlands	17	7
Chile	18	13
Austria	19	16
South Korea	20	27

are based on criteria which have been demonstrated to affect economic performance. The "competitiveness index", from which the rankings are derived correlates closely with recent growth of gross domestic product per head.

Competitive economies, the WEF argues, are those with "open markets, lean government spending, low taxes, flexible labour markets, an effective judiciary and stable political systems".

"The competitive nations are the ones that have chosen the

"tigers", the rest being attributed to higher initial income (poorer countries tend to grow faster) and lower national savings rates.

The IIMD, by contrast, uses as one of its criteria "the extent to which enterprises are managed in an innovative, profitable and responsible manner", the top-rated country here being Sweden.

While Singapore and Hong Kong score highly in both assessments, the US takes first place in the IIMD rankings and Japan is 4th. The WEF puts Japan a lowly 13th and Germany, Europe's biggest economy, is ignominiously relegated to 22nd place, compared with 10th position in the IIMD league. Elsewhere the WEF gives much higher marks than the IIMD to New Zealand, Taiwan, Malaysia, Australia and Thailand, and much lower marks to Denmark, the Netherlands and Sweden.

More curiously, the WEF ranks China (36th) below Jordan, Egypt and the Czech Republic, while Italy (41st) is judged less competitive than Peru, Greece and Colombia. Both organisations put Russia firmly at the bottom of the class, with Venezuela, Poland and South Africa also performing badly.

Prof Sachs estimates that this factor accounted for half the 4 percentage point difference in growth in 1990-95 between the EU and the Asian

Aligning the financing needs of capital goods exporters and importers.

THE CHALLENGE. The State of Qatar has commissioned a major power transmission plant from a consortium of companies from 3 European countries. The financing of the project, which totals US\$ 931 million, has been successfully arranged by ABN AMRO Bank, as joint lead arranger, in close consultation with all parties in both the exporting and importing countries. The total multi-sourced financing package, including a US\$ 175 million MT commercial loan, covers the contract price, interest during construction, and premiums of the buyer credits. It consists of 3 tranches backed by the three ECAs involved. The comprehensive financing package not only meets the needs of the exporting companies, but also allows the importing country to have access to direct financing of a large portion of the contract for local costs.



- EXPORT FINANCE NETWORK**
- Argentina • Australia • Austria • Belgium • Brazil • Canada • Chile • China • Denmark • France • Germany • Greece • Hong Kong • India • Italy • Japan • Korea • Luxembourg • Malaysia • Mexico • Netherlands • Norway • Portugal • Singapore • South Africa • Spain • Sweden • Switzerland • Taiwan • Thailand • United Kingdom • USA • Venezuela

THE SUPPORT. Such aligning is possible thanks to ABN AMRO Bank's extensive Export Finance network. Dedicated teams in 16 major exporting countries and in 20 emerging countries, put the bank in an unparalleled position to harmonise the needs of both exporting and importing customers - a dual approach which is unique in the world of export finance. What's more, given ABN AMRO Bank's local presence in all world markets, multisourced financing can be effectively arranged and offered. All this coupled with detailed experience of the inner workings of ECAs, backed up by a strong practical knowledge of both international and local regulations as well as a considerate integration into local business cultures, ensures both exporters and importers a high degree of expertise.

Our Export Finance Network at work for you.



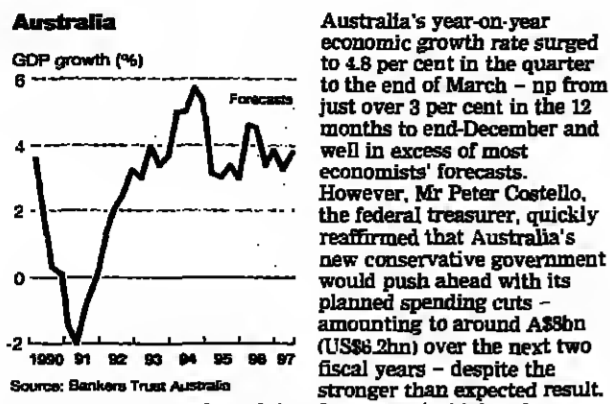
FOR MORE INFORMATION ABOUT HOW OUR INTERNATIONAL NETWORK CAN WORK FOR YOU, CONTACT MS M.S.F. VOSKENS, SVP GLOBAL EXPORT & MULTISOURCED FINANCE, TEL. (31-20) 6295338, FAX (31-20) 6296317.

ABN AMRO • The Network Bank

NEWS: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

Australia sees surge in growth



Australia's year-on-year economic growth rate surged to 4.9 per cent in the quarter to the end of March... The underlying [budget] deficit for 1996-97 is A\$8bn...

Rise in Japan's industrial output

Japan's industrial output rose by 3.9 per cent from March to April, in line with a modest economic recovery...

Red Cross appeal for N Korea

The International Federation of the Red Cross made an urgent appeal yesterday for \$3.25m in food aid to help tide North Korea over until its harvest in October...

HK runway deal set for signing

Britain and China are today set to sign an agreement clearing the way for construction of a second runway at Hong Kong's new airport...

China detains dissident

Chinese dissident Mr Wang Donghai has been detained in the run-up to the seventh anniversary of the June 4, 1989 Tiananmen Square crackdown...

Gowda breaks mould of Indian premiers

The rise of regionalism has handed power to a man who speaks little Hindi, writes Shiraz Sidhva

Mr H.D. Deve Gowda, who will be sworn in as India's 14th prime minister on Saturday, is a self-confessed peasant and speaks virtually no Hindi...



Gowda: the United Front leader was previously little known outside Karnataka

The 63-year-old leader of the United Front coalition of disparate regional and low-caste based parties was yesterday attempting to form a government in the wake of the resignation earlier this week of Mr Atal Bihari Vajpayee...

include IBM, Levi Strauss and Motorola. In January 1995, Mr Gowda laid out the red carpet for the late Mr Ron Brown...

casualty of the election. Today Mr Gowda will resign as chief minister of Karnataka before taking up his new post...

together his fractious coalition. "Do you really want this headache?" his wife is reported to have told him over the telephone...

Seoul government rules out forced depreciation of won to narrow trade gap

South Korea deficit reaches record high

By John Burton in Seoul

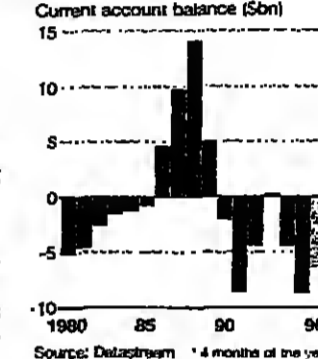
South Korea's current account deficit reached a record high in April, but the government ruled out measures such as a forced depreciation of the Korean currency to narrow the widening trade deficit...

target of a \$5bn deficit for the entire year. This reflected a sudden drop in prices for such key export items as semiconductors, petrochemicals and steel...

because the current account deficit was manageable, since it amounted to only 1.9 per cent of last year's gross domestic product.

domestic demand. The growing trade gap is a sign Korea's industry is losing its global competitiveness and measures must be taken to correct the problem...

South Korea



Current account balance (S\$bn)

Jakarta floats 35% of state bank

By Peter Montagnon and Mantel Saragosa in Jakarta

Indonesia is to float 35 per cent of Bank Negara Indonesia, its largest state-owned bank, later this year. The move should restore momentum to its privatisation programme following the disappointing response to last November's sale of shares in its Telkom utility...

price slashed in a last-minute effort to launch it. Some brokers regard the choice of a bank as a controversial follow-up to the Telkom issue. The banking sector is passing through a period of weakness with a large accumulation of doubtful debts...

such banks they should expect to be privatised eventually. "Bank Negara seems the best prepared," he said. It had a low incidence of bad debts and could become a positive example to other banks.

ments for electricity produced by private generators. Mr Ruru said Indonesia had decided to sell no more than 35 per cent of any company being privatised, but this would still allow the government to meet its aims of raising funds to pay down high-interest foreign debt...

Japan interest rate storm breaks

By Gerard Baker in Tokyo

A simmering political battle over Japanese interest rate policy burst into the open yesterday in an unusually public slanging match between two leading figures in the political and financial establishments.

Mr Setroko Kajiyama, chief cabinet secretary, denounced a thinly disguised attack on "interfering politicians" by Japan's top banker.

per cent since last September; most normal deposit accounts at banks at present yield interest rates even lower than that.

ing loan companies, towards which the government is asking the taxpayer to contribute more than Y600bn (\$5.5bn), have begun to bit back.

WORLD ACCOUNTING REPORT

World Accounting Report is succinct and accurate and has a reputation for finding out what its readers need to know. Using its world network of professional correspondents, this monthly newsletter provides you with comprehensive coverage of new developments in accountancy and their practical implications for your business.

To receive a FREE sample copy, contact: Charlotte Green, FT Financial Publishing, Maple House, 149 Tottenham Court Road, London W1P 9LL, UK. Tel: +44 (0) 171 896 2314 Fax: +44 (0) 171 896 2319

It is thought savings rates are being kept low to help the highly unpopular banks

unpopular banks. The easy monetary policy has certainly helped them: it was the main reason they were able to make such progress in disposing of their bad debts in the financial year ended in March.

ing loan companies, towards which the government is asking the taxpayer to contribute more than Y600bn (\$5.5bn), have begun to bit back.

On Tuesday, Mr Hashimoto, who is also president of Sakura Bank, one of the leading lenders to have benefited from the low interest rates, said: "Financial policy is the exclusive jurisdiction of the Bank of Japan. Those from other circles should not be telling the bank what to do about it."

Advertisement for Global Competitiveness Report 1996. To find out why, order your copy of The Global Competitiveness Report 1996 now. Since 1990, the World Economic Forum has pioneered the study of national competitiveness.

Advertisement for MARGINED CURRENCY DEALING Laurion. CALL TOLL-FREE. Flexible managed accounts. Limited liability guaranteed. Lowest margin deposits (2% - 5%).

Advertisement for Imperial Cancer Research Fund. Every day, we help thousands of people like Zoe fight cancer. Give people with cancer a fighting chance. Over 90p in every £1 donated goes directly into our vital research.

Handwritten signature or stamp at the bottom of the page.

Insecure executives huddle together

By Richard Denton in London

Widespread job insecurity is creating a spirit of huddle among executives...

Scotland wins its first big Korean investment

By John Burton in Seoul and James Euston in Edinburgh

Scotland yesterday won its first big inward investment from South Korea...

Competition among British regions is set to intensify following the announcement by industrialists...

to attract more international investment to the east Midlands. The new forum will be modelled on rival bodies such as the Northern Business Forum...

England as the site for a \$1.5bn microchip plant. However, Mr Forsyth hopes to persuade the company...

announced in Tokyo that Kohden, a Japanese electronics company, would establish a plant at Dumfries in eastern Scotland...

N Ireland elections may fail to draw weary voters

By John Kampfer in Belfast

Northern Ireland's 11m voters are being asked today to elect representatives to a body that has no home and will have little influence.

The 110-strong forum that will arise out of one of the world's most convoluted electoral systems will shadow the real business - the all-party talks on the future of the province which begin on June 10.

Yet the results will have an important influence on those talks. Some 23 parties are contesting the seats for the forum.

Sinn Féin has said it will not take up any seats it wins although it will seek to join the negotiations.

The top 10 parties at the forum will send delegations to the talks. Although each group will be represented equally at the negotiations, the size of their mandate will help determine bargaining strength.

The polls were conceived by Mr John Major as an artful means of extricating the UK government from its morass over the issue of paramilitary weapons.

The British used the elections as a device for selling to unionists the dropping of their insistence on the IRA handing over some of its arms before Sinn Féin, its political wing, was allowed into talks.

Boundary changes have increased the number of constituencies to 18. In local government and European elections proportional representation (PR) is used.

The Ulster Unionists, the largest pro-British party in Northern Ireland, have always benefited from the traditional method, as their support is concentrated in specific seats, while the Democratic Unionists and the SDLP lobbied for PR.

Under a compromise, voters are being called upon to cast only one vote for their preferred party. The 18 seats will each return five delegates. Each party that receives a factor of one sixth of the total will return one member. An even more difficult statistical operation will determine who gets the rest.

Finally, the aggregate number of votes across the province will be counted to apportion two extra seats to each of the top 10 parties. This device was designed to ensure participation in the talks by the two small parties representing loyalist paramilitaries.

It is no wonder that the system has been described as a "dog's dinner".

The law firm refuses to discuss its indemnity insurance cover or say whether a higher level of cover available in the UK is one of the reasons it is challenging the jurisdiction of the Ontario courts.

Canadian banks in court today over Canary Wharf

By Robert Rice in London and Bernard Simon in Toronto

Clifford Chance, the UK's largest law firm, will today challenge the jurisdiction of the Canadian courts to hear a lawsuit brought by four Canadian banks which are suing it for C\$1.5bn.

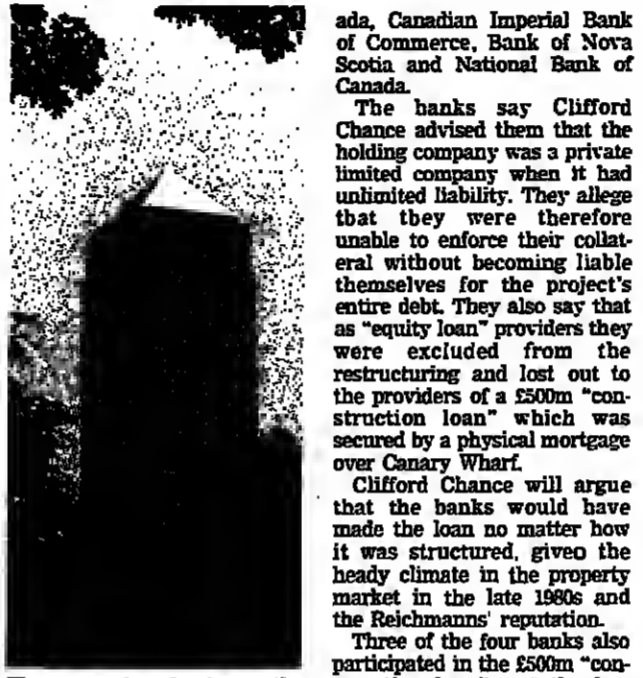
The banks incurred heavy losses in the early 1990s from the financial collapse of the Canary Wharf development in London's Docklands district.

They allege that they lost out in the restructuring of the development as a result of incorrect information provided by Clifford Chance in a 1989 legal opinion.

Writs were filed by the banks simultaneously in London and Ontario last year and the law firm maintains the case should be heard in England. It will argue at a hearing in Toronto today that most of the documentary evidence and witnesses are in London and that the administration of Canary Wharf was governed by English law.

The law firm refuses to discuss its indemnity insurance cover or say whether a higher level of cover available in the UK is one of the reasons it is challenging the jurisdiction of the Ontario courts.

Canary Wharf was put into administration in May 1992 following the collapse of its parent, Olympia & York Developments, the



The tower that dominates the Canary Wharf complex

property group owned by Canada's Reichmann family.

The claim of the four banks stems from a \$400m "equity loan" which they provided to O&Y in 1989 to capitalise Canary Wharf's main holding company. O&Y pledged its shares in the holding company as security for the loan. The banks are Royal Bank of Can-

UK NEWS DIGEST

Gas pipeline to Belgium financed

The interconnector project to build a subsea gas pipeline from the UK to Belgium has finalised a £450m (£684m) leasing agreement to finance the construction. The deal, with Abbey National, is believed to be one of the largest leasing agreements with a single bank in the UK.

The interconnector will link the UK with the gas grids on mainland Europe and open the way for exports of UK gas. The pipeline is owned by nine international gas companies: Amerasia Hess, BP, Conoco, Distrigaz, EIL, Ruhrgas, Gazprom, British Gas and National Power.

Ministry to sell Gulf war gold

The Ministry of Defence has decided to sell its stock of 16,000 gold sovereigns carried by Royal Air Force pilots and soldiers in the elite Special Air Service during the Gulf war. Sovereigns were equivalent to £1 until notes were introduced early this century but a few are still struck for commemorative purposes each year and these days the gold makes them worth much more than the standard £1 coin.

The coins were bought especially for the Kuwait conflict and were sewn into the uniforms of air crews and special forces in case they needed to barter their way out of trouble behind enemy lines.

Presentations packs of sovereigns, with certificates signed by Sir Peter de la Billière, commander of the British contingent in the Gulf, will go on sale later this summer. They are expected to sell for around £80 each, with the sale as a whole raising £1m towards the £22m annual defence budget.

Balls 'produced by child labour'

The Euro 96 football championship, which starts on June 8, faced allegations last night that authorised souvenir balls were being produced by child labour in Pakistan. Leaders from international trade union organisations claimed children aged under 14 were used in making balls bearing the Euro 96 logo.

The balls are labelled as having been licensed by Uefa, the European football association.

An estimated 80 per cent of the world's footballs are produced in Pakistan, mainly around the north-eastern city of Sialkot. The souvenir balls cost about £4 (£6.00) to make and retail for an estimated £50 in Europe. As many as 100 companies have been licensed by Uefa to produce goods and services for the championship. The accusations were questioned last night by Mr Gerhard Prochaska, managing director of ISI, the company given exclusive marketing rights by Uefa for Euro 96.

New chief for tourist board

Mr David Quarmby was yesterday appointed chairman of the British Tourist Authority and the English Tourist Board. Mr Quarmby resigned in March as joint managing director of J.Sainsbury, the supermarket group. He takes up his new post officially on Monday in succession to Ms Adele Biss.

CONTRACTS & TENDERS



National Bank of Pakistan

Head Office: PO Box No.4937 Karachi-74000 (Pakistan)

INVITATION TO BID - For IT Solution for On-Line Banking and MIS for National Bank of Pakistan (Pilot Project)

National Bank of Pakistan (NBP) is the largest and most profitable public sector commercial bank in Pakistan with assets of over 320 billion rupees with a network of 1537 domestic and overseas branches in USA, Europe, Middle East and Far East, employing over 21,000 staff.

To enhance customer service, improve control over advances, provide retail and wholesale banking, investment banking and merchant banking services, NBP plans to embark on a major modernisation programme beginning with a pilot project. The project includes extensive automation, telecommunication and networking.

Bids are invited for the pilot project from companies with the following qualifications:

- Track record of offering Turnkey Banking and Finance Industry Solutions.
Experience of similar Turnkey IT Projects.
Support structure for hardware and software services in Pakistan.
Financial strength and standing to undertake a project of this magnitude.

The Automation Plan consists of following 4 projects:

- On-line real-time Branch Banking software and hardware solution for 170 branches of NBP with selected branches of Lahore Region in the Pilot Phase.
On-line ATM Network for selected sites of Lahore Region in the Pilot Phase.
Communication network for branches, zones, regional offices and Head Office to link computer/LANs/ATMs using available fibre optics, satellite, VHF and X.25 circuits.
Head Office MIS

Companies are required to bid separately for projects 1-4 above on a turnkey basis: end-user training is to be quoted in each of the projects. Bids must be submitted with a 2% of bid price for each project as bid bond latest by 7th July 1996 at 1500 hrs.

NBP reserve the right to reject any bid without assigning any reason and is not obliged to award the contract to the lowest bidder. NBP may select whole or part of the offer and may change the scope of implementation, after mutual agreement.

RFP documents may be purchased from The National Bank of Pakistan, Electronic Data Processing Division, Head Office NBP Building, LL Chundrigar Road, Karachi, Pakistan Fax No. 92-212413629, upon payment of US\$300 (non-refundable). Any query on the RFP may be sent to the above office.

OFFSHORE

UP TO 7.5% GROSS P.A.

OPTIONS

LIMITED ISSUE FIXED RATE BONDS

- Minimum investment only £5,000. Maximum investment £1 million.
Interest paid gross.
Early closure options after 30.6.1998 for 4 Year Bond, 30.6.1997 for 2 Year Bond, subject to 180 days interest charge.
Should you wish to cancel your application, you may do so within ten working days of its receipt by Yorkshire Guernsey. Your investment will be returned including any interest earned, and no charge will be payable.

Table with columns BALANCE and RATES. Rows include 4 YEAR FIXED RATE BOND and 2 YEAR FIXED RATE BOND with interest rates of 7.5% and 7.0% GROSS P.A.

CALL FREE ON 0800 37 88 36 OR POST THE COUPON

YORKSHIRE GUERNSEY IS A WHOLLY OWNED SUBSIDIARY OF YORKSHIRE BUILDING SOCIETY

Form for completing the coupon and returning to Yorkshire Guernsey, PO Box 304, Valley House, Hospital Lane, St. Peter Port, Guernsey.

YORKSHIRE GUERNSEY

A SUBSIDIARY OF YORKSHIRE BUILDING SOCIETY

Yorkshire Guernsey has its registered office and principal place of business at PO Box 304, Valley House, Hospital Lane, St. Peter Port, Guernsey, Channel Islands, GY1 3FF and is licensed under The Banking (Guernsey) Law 1994...

TECHNOLOGY

The hunt is on for treatments for a condition neglected by the drugs industry in the past, writes Daniel Green

Genetics wrestles with obesity



Mice in two sizes: the mouse on the left has a shortage of leptin. An injection of the protein brings it back to normal size

If there is one area that demonstrates how commerce is helping drive basic research in genetics, it is obesity.

Historically, the spotlight of medical research has fallen on high-profile diseases such as cancer, heart disease and Alzheimer's. These are conditions that strike down innocent individuals.

Surveys of public attitudes, by contrast, show that obese people are often thought to be the authors of their own misfortune rather than suffering from a disease.

Obesity, meanwhile, has been low on the drugs industry's list of priorities. Not one of the top 150 best-selling drugs on the market is aimed at treating the condition. And the medical profession has tended to prescribe self-treatment such as dieting and exercise.

Statistics suggest, however, that obesity is in the same league as the world's most serious diseases in terms of relevance, risk to health, economic cost and demand from the consumers for treatments.

The World Health Organisation says that up to 20 per cent of Europeans and white Americans are seriously overweight. The figures are higher for minority groups and regions of the world outside Asia and Africa. Obese people have an increased risk of contracting heart disease, strokes, diabetes, gall bladder disease, osteoarthritis, cancer, varicose veins and infertility.

Researchers at the Université Paris-Dauphine last year calculated the direct medical costs to France of obesity at FF12bn (£1.5bn), about 2 per cent of the country's total healthcare costs. They said that the estimate was conservative but in line with other countries' views that obesity cost between 2.5 per cent of healthcare spending. Globally, this could mean that up to \$100bn (£68bn) is spent each year on dealing with the medical consequences of obesity.

In addition, there are non-medical markets for weight control, said to be worth at least \$10bn a year in the US alone. And there are social costs: obesity is correlated with low academic and career achievement.

As if to underline the demand for treatments, overweight people can go to great lengths to try to deal with their condition. Apart from special diets and exercise regimens, some have their jaws wired together so that they can only consume liquids. Others resort to gastric surgery in which food is physically diverted so that less is digested. Most of the drugs used have serious side-effects, not least of which is that they are addictive.

All this effort seems to be of little use. The incidence of obesity is increasing: the proportion of obese people in the UK, for example, more than doubled between 1980 and 1993 to 16 per cent of women and 13 per cent

of men.

In the past, treatments have relied on dealing with the environmental and psychological causes of obesity. Stephen Bloom, professor of endocrinology at the Hammersmith Hospital in London, says that obesity was almost unknown in Victorian times. Since the genetic make-up of species changes over thousands of years rather than a few decades, the rapid increase in obesity must be because people eat more and/or exercise less.

Although environment and behaviour must play some part, other factors are important, says Bloom. He points to Scandinavian research on siblings brought up separately. It shows a strong correlation between close blood relationships and a tendency to be overweight. His estimate is that "maybe 50 per cent of obesity has a genetic root". That implies that there might be treatments for obesity based on genetics.

This idea was given a critical

boost in 1994 with the discovery at Rockefeller University in New York of a gene, named *ob*, linked to obesity in mice. Within months, researchers found the protein leptin, the production of which is triggered by the *ob* gene. They discovered that injecting leptin made obese mice lose weight.

Finding the gene triggered widespread commercial interest - the Californian drug company Amgen paid \$20m for the rights to the gene. Earlier this month Amgen announced that it had started the first human clinical trials with leptin. If they are successful, a drug could be launched after 2000.

The excitement over the *ob* gene has been tempered by findings that obese people do not have defective *ob* genes. Moreover, they have high levels of leptin, casting doubt on the idea that injecting more might cut weight.

These observations have been countered by arguments that obesity may not be a genetic "disorder"

in the way that Down's syndrome is, but could be part of a natural genetic variation in the way that height or eye colour are.

As Bloom says: "Any species that may have to deal with periodic food shortages or famine should have fat members." He says that "overweight" people may have played an important role in keeping communities going in times of food shortage.

In addition, high levels of leptin in overweight people do not mean that they will not be susceptible to treatment with further doses. Some diabetics have naturally high levels of insulin and can nevertheless be treated with extra insulin.

This apparent paradox may be the result of defective "receptors" in the body that accept leptin (or insulin). That could mean that normal amounts of leptin did not have a strong enough effect and an individual put on weight. Extra leptin might end up triggering a normal number of receptors. Only clinical trials will resolve this issue.

Scientists are not relying on leptin to treat obesity. Four further genes linked to obesity have been identified since the discovery of the *ob* gene. They have been named the *agouti*, *tuh*, *dh* and *fat* genes.

Michael Steinmetz, vice-president of pre-clinical research and development at Roche in the US, says that the most promising are *agouti*, *tuh* and *oh*. The mechanisms of these genes are now being studied.

In addition, there are ways of exploiting the knowledge of the *ob* gene other than injecting leptin.

Roche, in collaboration with the biotechnology company Millennium, is looking at what happens once leptin has made contact with the leptin receptor on the surface of cells. As with all receptors, there follows a cascade of chemical signals inside the cell. Perhaps a drug for obesity would work by interfering with the process.

This route has the advantage possibly of being more specific than injecting leptin because leptin receptors exist all over the body and only a small proportion are likely to be linked with obesity. Yet another way forward arises from the observation that the effects of injecting leptin last for several days, while it takes only a few hours without food for one to feel hungry.

The search for proteins that are the short-term equivalents of leptin has already uncovered at least two.

One, called *GLP-1*, triggers satiety. Rats injected with *GLP-1* eat less than those that do not. Another, called neuropeptide Y (NPY), has the opposite effect: injections stimulate feeding.

Bloom has worked on *GLP-1* but says that NPY is more likely to lead to a drug because chemically it is easier to make a molecule that blocks a biochemical process than one that encourages it.

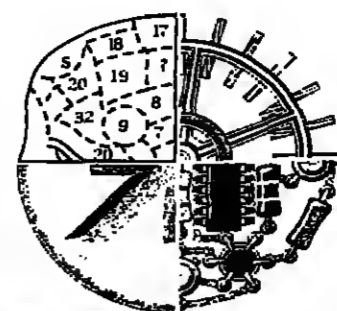
Such work is at the very earliest stages of research. Steinmetz says: "Unless we are very lucky, we still have a long way to go. I'd bet that the advances will happen with the *agouti* and *oh* genes."

Bloom, too, warns that many obstacles lie ahead. He says, for example, that, like leptin, NPY protein receptors also exist all over the body "with perhaps just 1 per cent of them related to appetite". Little is known of the physiological effect of blocking all the receptors.

None of this uncertainty is likely to hold back research into treating obesity. The demand is too great and the need, both medical and economic, poorly met. Revolutionary new treatments based on recently acquired genetic knowledge are unlikely this decade, but the chase is on.

The series on human genes continues next month with a look at breast cancer.

Worth Watching - Vanessa Houlder



Final flicker for faulty fluorescents

The constant flickering of faulty fluorescent strip lights can blight the life of people who work near them. Philips Semiconductors believes it has overcome this problem with the development of an electronic starter switch which is more reliable than conventional switches because it has no moving contacts. If the fluorescent tube does not ignite at the first attempt, the starter will make no more than six additional attempts to light it.

Philips Semiconductors: The Netherlands, tel 243532509; fax 243532218

Digital analysis in breath test

Breathalyzers might eventually be replaced by digital speech analysis, according to US researchers.

Scientists at Georgia Tech and Indiana University have conducted preliminary research that shows that intoxicated speech is characterised by abrupt changes in pitch and energy and unusually opening and closing of the vocal chords.

The researchers envisage that speech analysis could be performed by computer, based on a mathematical formula that could calculate the probability that the person was intoxicated.

Georgia Institute of Technology: US, tel 404 8943444; fax 404 8946583

Crackdown on Internet security

Security issues are still preventing many businesses from offering services on the Internet. But V-One Corporation of Maryland has developed a package that combines smartcard, encryption and firewall technology designed to tackle the security problems of electronic

commerce. Unauthorised employees and customers are issued with smartcards that allow them to log on to a business's computer system that runs the Smartgate package. After mutual authentication, a one-off code is generated that encrypts the information transmitted across the Internet.

As well as allowing financial transactions to take place over the Internet more securely, the software can also be used to make an internal computer network more secure. The Smartgate technology is distributed by Internet Smartware in the UK. Internet Smartware: UK, tel 011753 311068; fax 011628 669414

X-ray processing the dry way

3M, the diversified manufacturing group, has developed an X-ray processing technique that does not require a darkroom or water-based chemicals.

Its research suggested that radiologists and radiographers were frustrated with the cost and fuss of traditional wet chemical processing. 3M believes that its new system has cost and environmental advantages since hospitals will not need to buy and dispose of processing chemicals or install specific plumbing, air conditioning and darkroom.

The technique allows silver halide film to be processed by applying heat at a very precisely controlled temperature. The resulting image has the same diagnostic quality as those produced by traditional techniques.

3M: UK, tel 011344 653875; fax 011344 652248

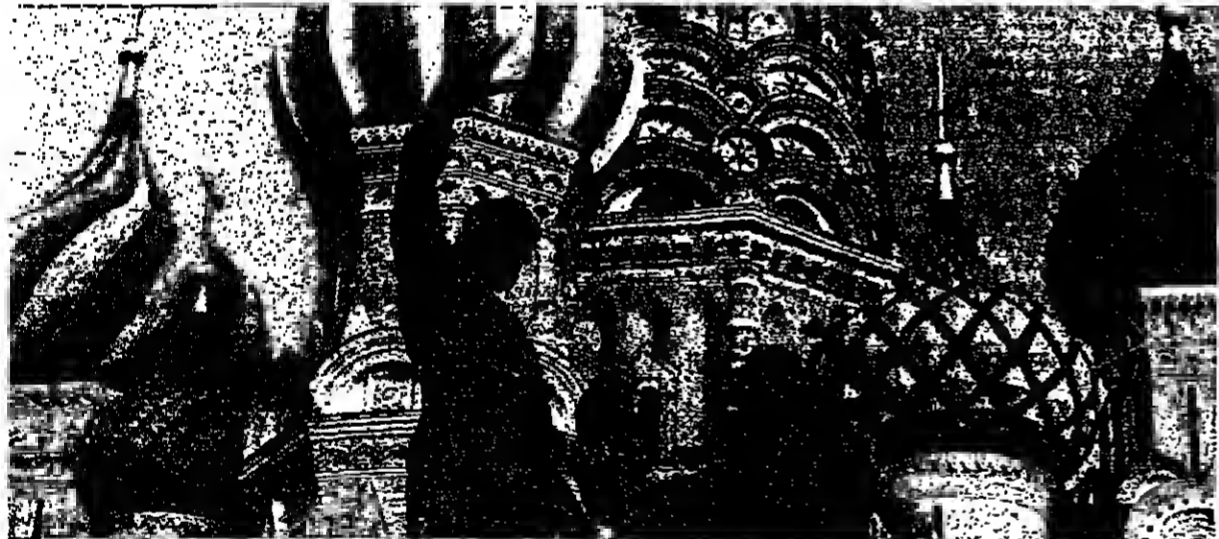
GPS keeps tabs on trains

A railway public address system that automatically informs passengers about their destination has been developed by Finnyards Electronics, a Finnish engineering company.

A GPS receiver gets signals from navigation satellites to provide information about the train's location to an accuracy of 100m. This triggers recorded announcements, which are stored on a CD-Rom, when predetermined points in the journey are reached.

Finnyards: Finland, tel 312450111; fax 312130183

Eastern Europe is our business.



Many years of experience and geographic proximity have made Austrian Airlines the leading experts for Eastern Europe. After an enjoyable flight to Vienna, take pleasure in easily finding your way around the Vienna International Airport. Your next departure gate is an easy 30 to 300 steps away. And you can take satisfaction in some of

the shortest transfer times in Europe. Take off to Almati, Beograd, Bucuresti, Budapest, Kiev, Krakow, Ljubljana, Minsk, Moskwa, Odessa, Praha, Riga, St. Petersburg, Sofia, Skopje, Timisoara, Tiranë, Vilnius, Warszawa and Zagreb.

Welcome to The Friendly Airline

welcome to

149 flights a week to Eastern Europe.

AUSTRIAN AIRLINES

FT GUIDE

GOURMET TOURS OF FRANCE

in association with the Omega Tourer from Vauxhall

Published with the FT in the UK on Saturday 18th May, this guide recommends chateaux and country houses in which to stay, restaurants and bistros on and off the beaten track, as well as places of historical and cultural interest. There is also a special section which gives you advice on how to get the best out of a motoring holiday in France.

The Guide also features an exclusive promotion for FT readers, offering up to four nights accommodation in France for only £10, courtesy of the new Omega Tourer from Vauxhall. To enter this promotion call 0171 413 3176 now for a free application card.

If you would like to order a back copy of the Guide, simply complete the coupon below.

Please complete the coupon below, and send together with a cheque for £2.50 (including postage and packaging) to:

Jo Rook,
5th Floor, Financial Times Ltd.,
No.1 Southwark Bridge,
London SE1 9HL.

Mr/Mrs/Ms Initials

Address

..... Postcode

Daytime telephone number

Handwritten signature or stamp at the bottom of the page.

A search for global relevance

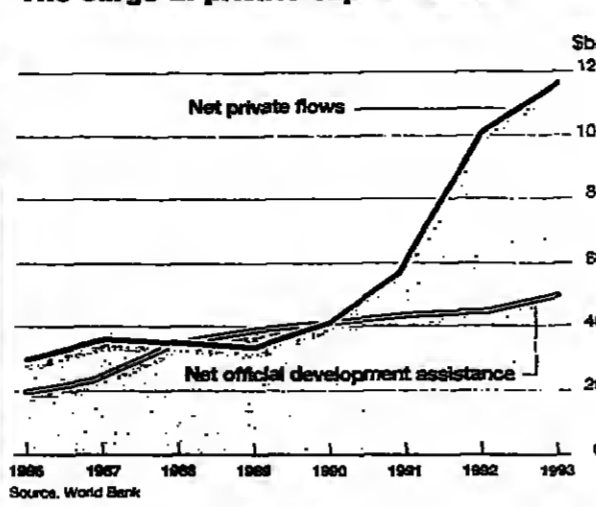
Patti Waldmeir on Wolfensohn's first year at the World Bank

There is a messianic quality about James Wolfensohn, president of the World Bank. For better or worse, it is the quality that defines his leadership.



James Wolfensohn, World Bank president

The surge in private capital flows



Passion, compassion and charm are among his greatest weapons, and he has used them skillfully in the first year of his presidency, which began on June 1 last year. He has chosen his battles carefully and won more than a few of them. But to judge from the pace so far, it is going to be a long campaign. And even as the first year's milestone approaches, the destination remains disturbingly unclear.

The mission is unclear: Mr Wolfensohn must remake the World Bank in line with the prevailing orthodoxy of private sector-led development, to save it from obscurity in the new millennium. The figures tell a story of declining World Bank influence: since 1990, private sector capital flows to the developing world have quadrupled, while official development assistance has stagnated: with \$170bn in private capital making its way to the developing world, the bank's \$5bn in concessional loans to the poorest countries pales by comparison.

Yet, loan approval procedures have been streamlined, to cut approval time in half. Power is being decentralised: for the first time "country directors" will live in the client country, and draw on new "technical colleges" of experts back home. But much work remains to be done to reshape the collective mind of an organisation which remains cautious, slow, hierarchical and confused. That will demand clever management of a kind which Mr Wolfensohn - who never ran an organisation larger than the boutique Wall Street investment bank which bears his name - has yet to prove himself capable.

Disarming as always, Mr Wolfensohn is the first to admit that he is disappointed with the pace of change. Twelve months of "change management" has brought a great upheaval and uncertainty without making much concrete difference. "If we've screwed up it has been in the implementation of the change strategy," Mr Wolfensohn said in an FT interview. "Change management" has been overmanaged. We've spent too much time on it. That is a view which will delight much of the staff, which despite its strong enthusiasm for reform, is showing signs of "change fatigue". It is time now to stop talking and start implementing change.

BOOK REVIEW · Leyla Boulton

OUR STOLEN FUTURE

By Theo Colborn, John Peterson Myers and Dianne Dumanoski
Little Brown and Company, 306pp, £18.99

Synthetic time-bomb's circumstantial evidence

The revelation this week that UK government scientists have found chemicals in baby milk that can impair the fertility of laboratory animals focuses attention on the impact of synthetic chemicals on human health.

The offending substances, phthalates used to soften plastics, have been found in virtually every brand of baby formula on the UK market. Produced from raw materials derived from oil and natural gas, they mimic oestrogen, the female sex hormone.

continue to circulate in nature long after being banned in many countries. As Al Gore, the US vice-president, says in the foreword, the book raises "compelling and urgent questions which must be addressed". He likens its potential effects to *Silent Spring*, Rachel Carson's seminal work which warned of the dangers of pesticides 30 years ago.

Written by US scientist Theo Colborn, together with John Peterson Myers, an environmentalist, and Dianne Dumanoski, a journalist, this book provides the first guide to the subject for the general reader. It says there are at least 51 man-made chemicals known to have the potential to interfere with the hormones that drive reproductive and neurological development. Unintentionally it also provides some grim comfort for parents alarmed by this week's revelations about baby formula. It points out that particularly high concentrations of synthetic chemicals such as PCBs and dioxins are found in breast-milk in Europe and the US, though there is no evidence of phthalates.

Much of the evidence is circumstantial. The book cites studies showing a fall in the sperm count of younger men born since a post-war explosion in the use of such chemicals by industry. But it also suggests that these chemicals could prove to be responsible for a wide range of problems including hyperactive behaviour in children and diminished IQ.

There is well-established proof of the damage some synthetic chemicals can cause to laboratory animals and wildlife. For example, dioxins are not just known carcinogens but are believed to reduce sperm counts, suppress the body's immune system and cause brain dysfunction.

Alligators born in a Florida lake affected by a spill of a pesticide called dieldrin in 1980 suffered reproductive disorders long after the water was cleaned up. And PCBs, used in products from paints to lubricants, disrupt the reproductive systems of wild animals and

Taking stock of this year's investor relations success stories

at the 1996 UK Investor Relations Magazine Awards in association with the FINANCIAL TIMES

Wednesday 26 June 1996, The London Hilton on Park Lane

Investor Relations magazine has commissioned an independent in-depth survey of fund managers and analysts to rank this year's top performing investor relations departments across a wide array of key IR disciplines. The results of this research are not revealed until the night of the awards presentation. Winners are called up on stage to receive awards and congratulations from their fellow IR professionals and advisers during a black-tie dinner at one of London's most prestigious venues.

To find out if you are among them make sure that you reserve your ticket now by calling Rebekah Bawcutt on (+44) 171 637 3579



Sponsored by: BT Teleconferencing Services, Burrups Ltd, Burton-Marsteller, College Hill, Darome Teleconferencing, Edeban Financial, FINANCIAL TIMES, Investor Relations Society, Lloyds Bank Registrars, London Stock Exchange, Sandwich Consultants, The Bank of New York, The Manifest Voting Agency, The Royal Bank of Scotland

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Time not yet right to instigate big trade round

From Mr Joseph A. Greenwald. Sir, In your May 28 editorial "WTO at sea" you describe the "disappointing results of negotiations over the past year" (financial services, telecommunications and maritime transport) and conclude that progress in liberalisation can be made only through a "comprehensive trade round". I believe such a conclusion is unrealistic and premature.

at yet another impasse. But what has been happening elsewhere on further liberalisation? Most recently, according to the FT, the US has put its remaining tariff negotiating authority on the table in the Asia Pacific Economic Co-operation forum. Duty reductions or elimination in this context can easily be multilateralised. In the transatlantic dialogue, much progress has been made toward an important goal of world traders - agreement on mutual recognition of testing and standards conformity. In this area, no Congressional authority is required for US participation. There are other fields, like government procurement and rules of origin, in which progress can be made without a "comprehensive round". Rather than concluding now

Shareholders furious about National Power buy-back

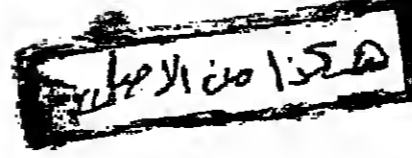
From Mr Christopher Daws. Sir, Lex ("National Power", May 18) is a quarter right about PowerGen's share buy-back. Some individual taxpayers, but not all, prefer a selective buy-back to a universal dividend on which they would pay higher-rate tax. However, others are non-taxpayers and are furious at being left out in the cold while institutions profit enormously from the buy-back. It was effected at a price barely 1 per cent below the market price, leaving those lucky institutions with a clear profit, including their tax credit, of over 20 per cent on their holding within a day. Surely companies could buy their shares back at prices

Seoul should reverse bar on investment in N Korea

From Mr Aidan Foster-Carter. Sir, As the author of two studies on Korean reunification for the Economist Intelligence Unit and of a monthly North Korea report published in Seoul, I welcome Martin Wolf's article "Korea's German lesson" (May 28). With what an older era would have called the Korean question clearly coming to a head, it is high time western public opinion started paying more than feigned attention to the peninsula. Korean reunification, long an impossible dream, is now a very possible nightmare - if it were to follow the German route. Paradoxically, the best way to assist unification in the long run is to prevent it in the short run. It is much better that North Korea should continue to exist as a state, but receiving aid and investment from South Korea for economic reform and recovery, than for it to collapse like East Germany - which would be chaotic as well as costly. A more perverse paradox, however, is that the South Korean government, while professing hope for a soft landing in the north, is

Leave EU to those who want it

From Mr Hans Schlöten. Sir, If John Major and the British government are so fed-up and disillusioned with Brussels and the EU, why don't they withdraw from the club? Mr Friedrich Blase makes the case for withdrawal in his letter (May 24). Perhaps it is



COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday May 30 1996

India seeks a government

India's democracy is a wonder of the world. Notwithstanding its poverty, this vast country has managed to sustain vibrant electoral politics. The BJP would then gain power outright on only about a quarter of the overall vote.

Electoral reform

The second concern is the growing dominance of politics by regional, caste and communal parties which base their support on what divides the citizens of this extraordinarily diverse country rather than on what they have in common.

Coalition of parties

Perhaps the greatest threat posed by such a government is to India's fragile fiscal stability. Since each regional party has a strong incentive to insist on the largest amount of spending and the least amount of taxation within its own area, a coalition of regional parties could bankrupt India.

Nuclear power going cheap

The forthcoming sale of British Energy, the nuclear utility, will be the British government's last major privatisation before the general election. It will also be one of its most difficult.

But the case for selling off nuclear power remains strong, and the government is right to persevere. As previous electricity privatisations have shown, the scope for improving efficiency in the generation of electricity is much larger than was supposed when the industry was state-owned.

Question of price

The largest and much the most difficult remaining question, therefore, is how much British Energy should be sold for. The government has a duty to extract the largest possible price from the purchaser.

Opponents of the sale claim that British Energy's liabilities are still unquantifiable and that the company may even have a negative value. Although investors are right to be anxious about safety and the costs of cleaning up obsolete nuclear plants, British Energy is being sold as a tightly regulated entity with funds specifically earmarked for its long-term liabilities.

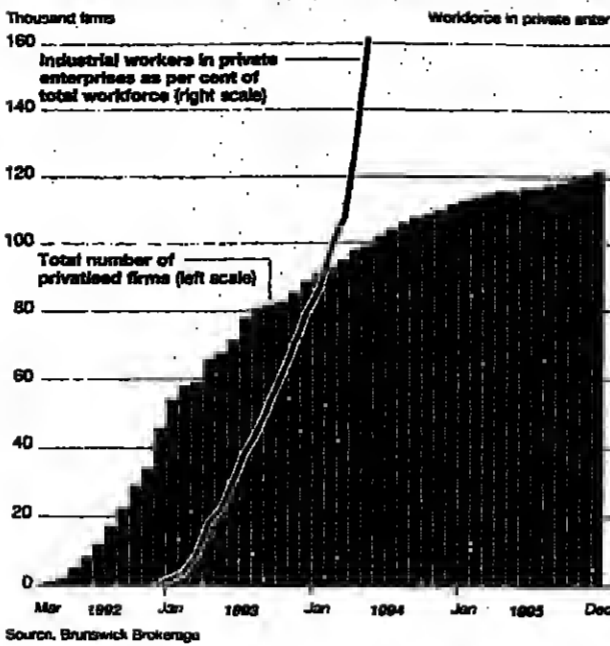
Deregulation

The greatest uncertainty facing British Energy is, ironically, the prospect that competition in the newly deregulated UK power industry will drive electricity prices down to levels at which British Energy cannot compete.

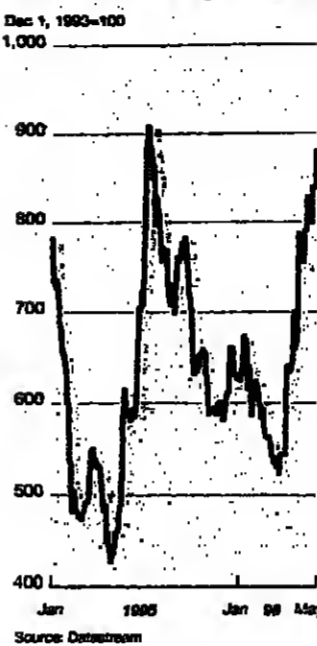
Russia's economy: growing role for the private sector



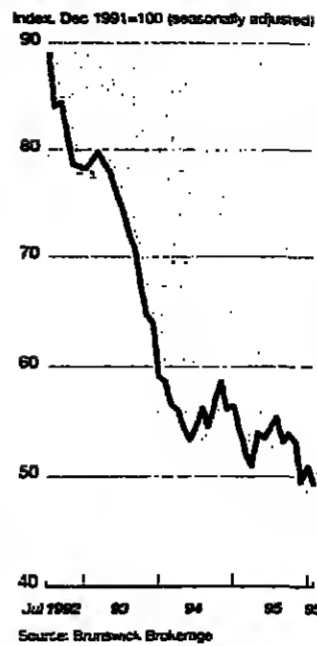
Privatisation



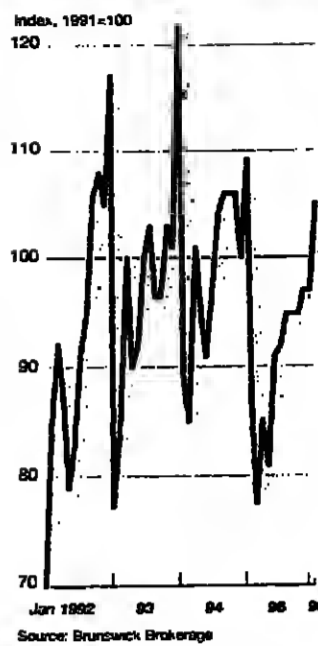
ROS stock exchange index



Real industrial production



Retail sales



Russia's unfinished revolution

With communists waiting in the wings, the country's market reforms depend on next month's election result, says John Thornhill

Russian revolutionaries have always struggled to translate grand designs into reality in their vast and varied country. The Bolsheviks' calls to nationalise property and emancipate women in 1917 were misunderstood by the town council of Vladimir east of Moscow, which promptly nationalised all female virgins and declared them communal property.

"The essence of the forthcoming post is that they provide a chance for a smooth and civilised development of Russia," says Mr Yegor Gaidar, the former prime minister and chief architect of Russia's market reforms. "But this chance, as it so happens, critically depends on Yeltsin's victory."

Victor Chernomyrdin, the prime minister, appears to enjoy big tax privileges but discloses little information to private shareholders. In many other areas of economic activity there is still more form than substance to Russia's market economy. Prices often reflect the restrictive powers of private monopolists - or criminals - rather than the forces of supply and demand.

OBSERVER

Not so felix culpa

Dacia Felix hasn't proved to be a very lucky name for Romania's largest private bank, staggering on thanks solely to gigantic loans - equivalent to around 2 per cent of last year's GDP - from the central bank.

preserving a strange degree of optimism. Indeed, they still seem to think the missing millions will reappear any day.

They may be closing the Caracas and Dijon offices, but Athens and the 51 local outlets live on - and staff cuts have not been exactly brutal.

One obvious conclusion is that on present market valuations, Britain's nuclear industry appears to have been a very poor investment. It would be wrong, however, to emphasise past mistakes so much that they depress the price obtained by taxpayers.

Not tailor-made
Sperre a thought for Anton Schneider, chief executive of Klockner-Humboldt-Deutz, the German engine-maker which looks as if it may go belly up after alleged fraud by a number of leading executives has led to losses of DM660m.

Future imperfect

The process of picking the next chairman of the Commodity Futures Trading Commission seems to have been hijacked by some election year horse-trading not wholly relevant to the business of futures regulation.

Follow my leader

The conviction among Russia's Communists that President Boris Yeltsin will falsify the results of the June 16 presidential poll is good for the local stock of black political humour.

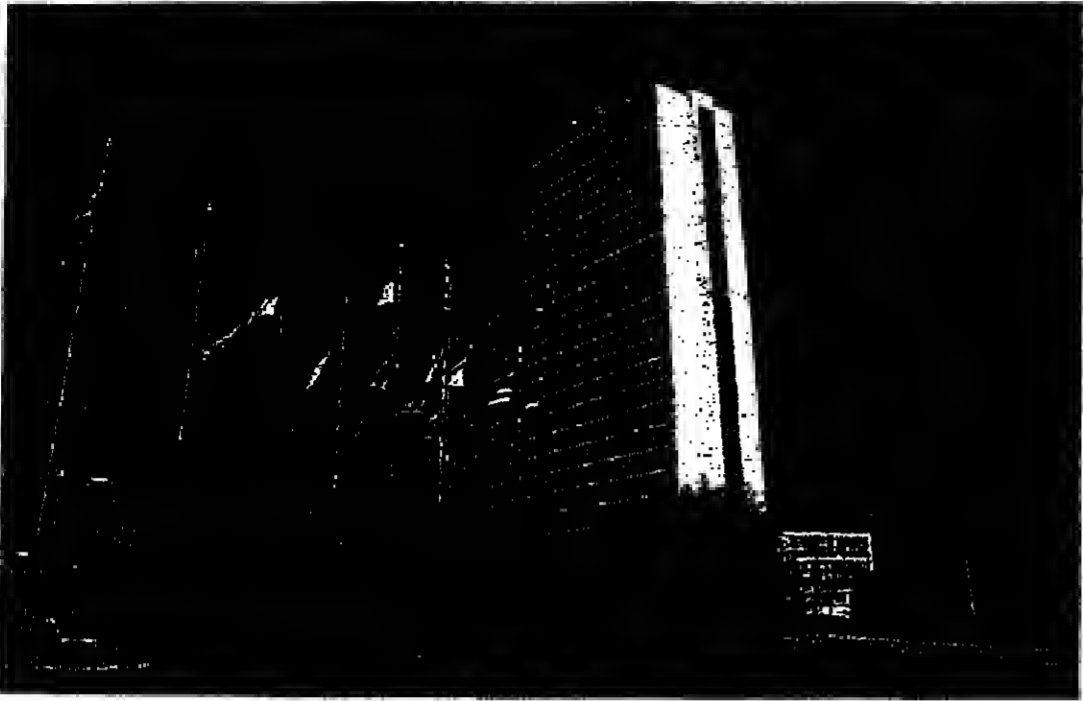
100 years ago

Cyclone at St. Louis
One of the minor effects of the tremendous cyclone at St. Louis was to damage the St. Louis Breweries to the tune of \$2,200.

50 years ago

U.S. Coal Strike Over Washington: The U.S. soft coal strike has been settled. It was announced officially here. The U.S. House of Representatives, by 230 votes to 106, passed a sweeping permanent measure to curb industrial strikes and other trade union activities.

150/150



European centre, Luxembourg: the Duchy's status as a founder of what is now the EU enables it to exert an important influence

Luxembourg was the only EU state to avoid a recession in the early 1990s, and it is still forecasting growth in excess of 2.5 per cent this year

Picture: Shesock-PA

LUXEMBOURG Leading role at the centre of the EU

The Grand Duchy will need to display all its diplomatic, entrepreneurial and economic management skills as it approaches the new millennium, with a number of challenges looming both within and beyond its wooded frontiers, writes Neil Buckley

Embedded in the heart of Europe, at the junction of French and German culture, Luxembourg remains a model for small countries everywhere - and even gives its much bigger neighbours cause for envy.

Despite having a population of only 400,000, its status as a founder of what is now the European Union puts it not just geographically but also politically at the centre of the EU, and enables it to exert an influence out of all proportion to its size.

Being the only EU member currently to meet the so-called "convergence criteria" for monetary union - and comfortably - will strengthen its negotiating position in the continuing intergovernmental Conference on the future shape of the EU.

European Commissioner. Mr Juncker welcomes another likely development on the European stage - monetary union and the arrival of the Euro. As he told Luxembourg in his annual state-of-the-nation address this month: "There is no alternative to the Euro, which is vitally important for our country. It will be put in place according to the established timetable. Even today, tangible progress has been made in the convergence plan drawn up in the Maastricht treaty."

and, more importantly, on issuance of Luxembourg Franc-denominated Eurobonds, while the Euromarkets in national currencies - of which Luxembourg has a 12 per cent market share - will disappear.

Mr Lucien Thiel, general manager of the Luxembourg Bankers' Association, believes Luxembourg can take up the slack with new Euro-dominated activities, as well as the continued growth of the Duchy's fund management and insurance sectors.

EU would not want to see an outflow of private investors' funds into Switzerland. Meanwhile, Luxembourg's insistence on retaining the national veto in EU economic decision-making reflects determination to defend its other competitive advantages.

As well as maintaining competitiveness and encouraging employment, another domestic issue the government is focusing on is pension reform - attempting to reduce the likely pressure of the pensions explosion it, like many European states, faces in 20 years' time.

Banque Internationale à Luxembourg 1995: Growth confirmed

Consolidated Highlights			
(in billions of LUF)	1995	%	1994
Total assets	888	+ 7.9	823
Customer deposits	595	+ 2.3	582
Capital and provisions	27	+ 15.2	23
(in millions of LUF)			
Net profit	2,849	+ 7.6	2,649

Conversion Rate: £1 = 45.47 LUF

Key points for 1995:

- net profit up 7.6%
- total assets: + 7.9%
- pre-tax profit: + 13.9%
- increased dividend: LUF 720 (1994: LUF 650)
- new subsidiary: Société Monégasque de Banque Privée S.A.

BANQUE INTERNATIONALE A LUXEMBOURG

Luxembourg, Lausanne, Geneva, Zurich, Basle, Bern, Lugano, Zug, London, Barcelona, Frankfurt, Monaco, Jersey, New York, Tokyo, Singapore, Hong Kong

société anonyme
69, route d'Esch
L-2953 Luxembourg
Tel: (352) 4590-1
Fax: (352) 4590-2010

The Wheels of Fortune



Success didn't only depend on luck, you worked hard too. Now, of course, you would like to protect your capital and make it work for you.

The private banker is there to make sure your hard-won capital keeps its tone and grows. He is financial advisor, estate planner, safekeeper of valuables, tax expert and friend. To the successful, in a word, invaluable.

Kredietbank Luxembourg and its network of international correspondents provide a full range of first class private banking services, starting with portfolio management tailored for optimal revenue or capital appreciation and fiscal expertise. Our only aim - to make sure that the wheels of your good fortune never stop.



Luxembourg • Geneva • Basle • Lugano
London • Dublin • Jersey • Monaco

Kredietbank SA Luxembourgprovoie 83, bd Royal L-2955 Luxembourg Tel: 47 97 20 21 Fax: 47 97 20 01 • KBL Luxembourg (Montreal) L. inc. 4 Grande-Allée St-Marc 98000 Monaco Tel: 92 16 55 55 Fax: 92 16 55 99 • Kredietbank (Suisse) SA 7, bd Georges-Favon CH-1211 Genève 11 Tel: (22) 311 63 22 Fax: (22) 311 32 82 • Steinweg 60, H+Sch, CH-4002 Basel Tel: (61) 281 33 07 Fax: (61) 281 33 77 • Kredietbank (Suisse) Lugano SA Via S. Barbara 2, CH-6900 Lugano Tel: (91) 911 06 30 Fax: (91) 911 06 10 • Brown, Shipley & Co. Ltd, Bankers Court, Lombury London EC2R 7HE Tel: (171) 606 98 33 Fax: (171) 606 60 57

Please send me your information brochure.

Mr Mrs Please complete in block letters.

Name: _____ Initials: _____

Address: _____

Country: _____

Return to Kredietbank SA Luxembourgprovoie, Sec. Com., 43 bd Royal, L-2953 Luxembourg

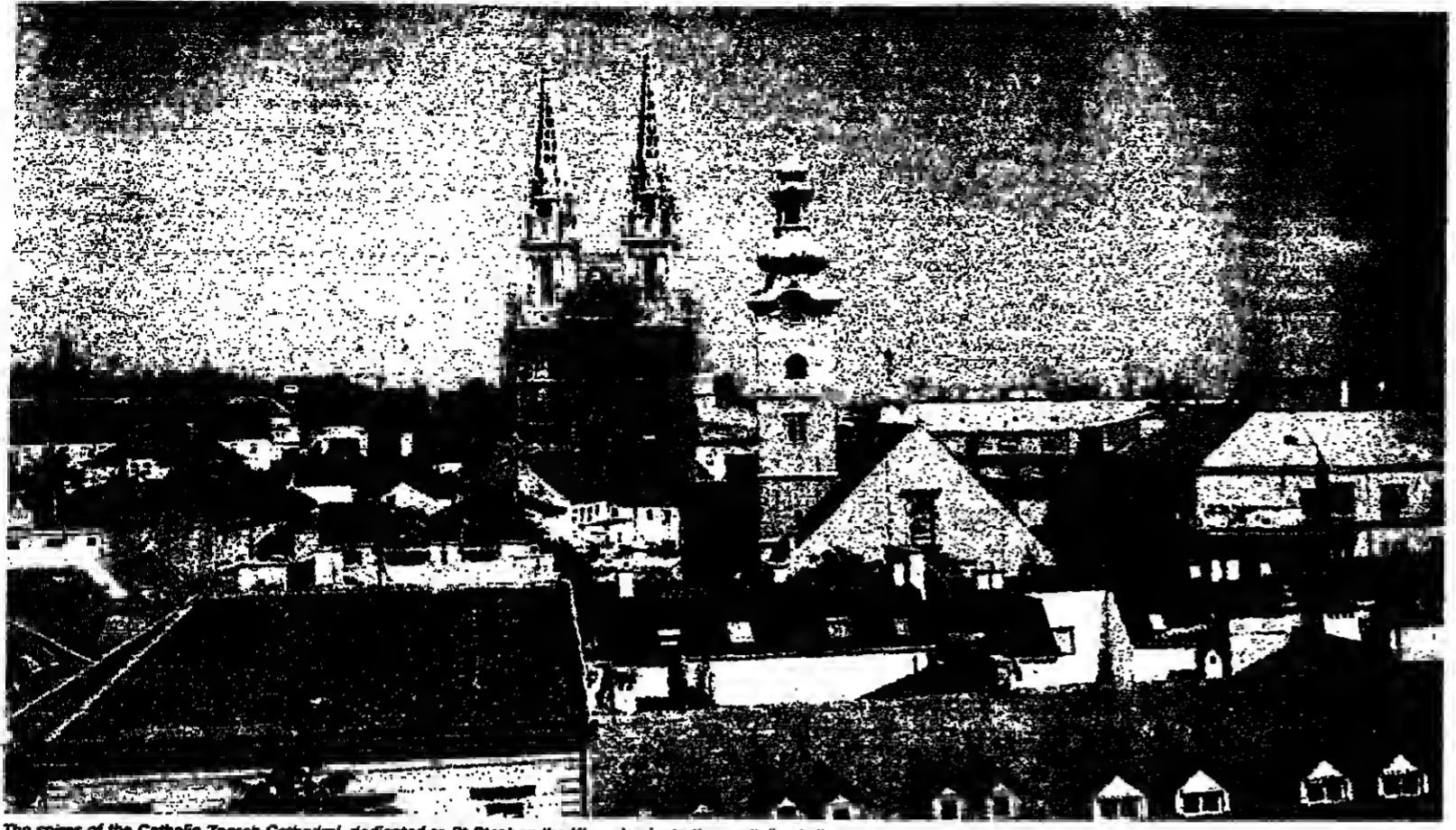
Handwritten text in a box at the top of the page.

WEDNESDAY MAY 30

CROATIA



Vertical text on the left side, partially obscured by the portrait.



The spires of the Catholic Zagreb Cathedral, dedicated to St Stephen the King, dominate the capital's skyline

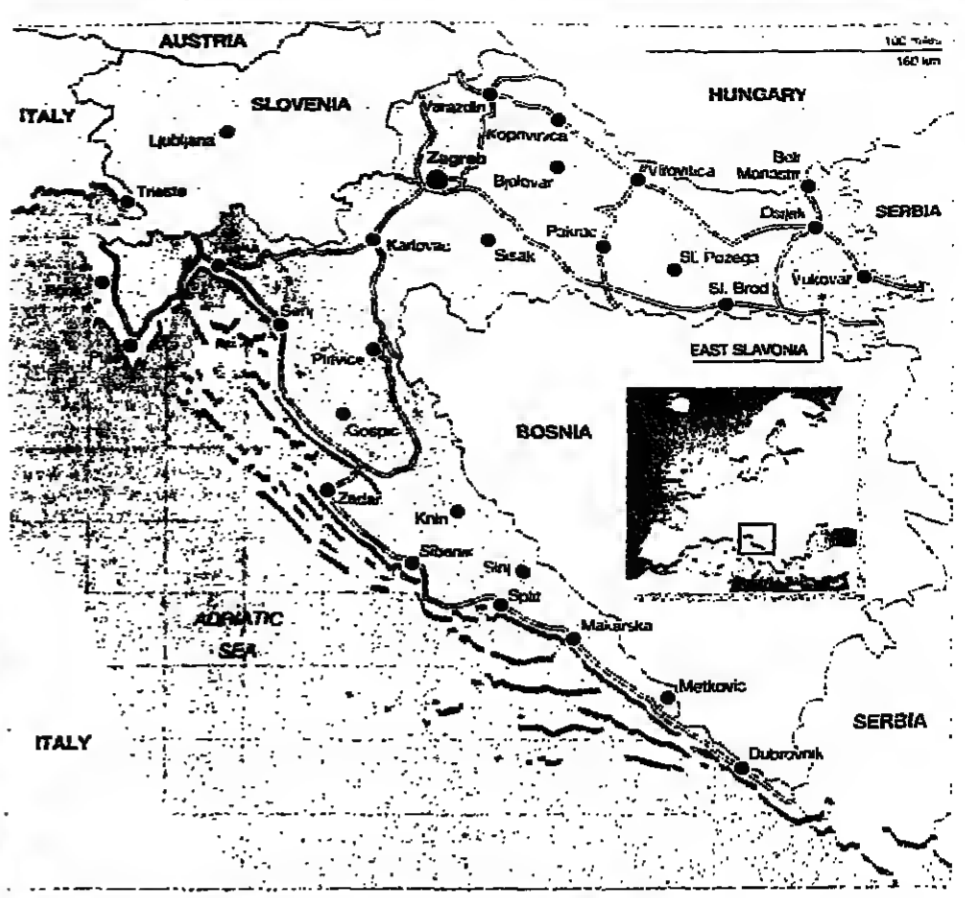


Table with 'KEY FACTS' header, listing economic indicators like GDP, population, and exchange rates for 1995 and 1996.

IN THIS SURVEY... List of topics covered in the survey, including debt, politics, and infrastructure.

Victory - but with a darker side

Laura Silber and Anthony Robinson examine the difficult challenges facing the government at home and abroad after years of brutal and costly civil war

Main article text, first column, discussing the challenges of post-war Croatia.

Main article text, second column, continuing the discussion on Croatia's situation.

Main article text, third column, further analysis of the economic and political landscape.

Main article text, fourth column, concluding thoughts on the future of Croatia.

■ Economy: by Anthony Robinson and Gavin Gray

Miracles take a little longer

Ministers have achieved much in recent years, but more restructuring is needed

The first difficult years of the new state have weighed especially heavily on the large number of Croats who lost their savings in blocked foreign exchange accounts in 1991 and had the value of other assets wiped out by the hyperinflation that preceded the stabilisation plan.

Advertisement for Zagrebačka banka, featuring the headline 'Leading the way in Croatian banking' and a list of achievements.

Continued on page 2

...in English, the ... to Zagreb's

Factor

TIA

bank

PROFILE President Franjo Tudjman

The true believer

President Franjo Tudjman is a true believer whose dream came true.
For decades he nurtured the idea that he would restore the independence which Croatia lost a thousand years ago. Today the 74-year-old former communist general turned nationalist dissident sits in a presidential palace built by Tito in the wooded hills above Zagreb surrounded by the symbols of his new state.
Behind his desk stands Croatia's ubiquitous red and white checker-board flag on its red, white and blue background. On the wall hangs a huge painting of King Tomislav, the legendary founder of the first Croatian state. The king is on horseback receiving the homage of his loyal subjects.
Six years ago the forceful, silver-haired leader steered his party, the Croatian Democratic Union (HDZ), to a landslide victory in the first free elections. The tide of popular support that swept him to power was a mirror image of the fervour whipped up by his



Franjo Tudjman 'restored Croatia's long-lost independence'

counterpart, President Slobodan Milosevic, another former high-ranking communist official to wrap himself in the national flag.
But there is a big difference between the two men. For Mr Tudjman securing the independence of Croatia was a matter of conviction. For Mr Milosevic, as subsequent events have proved, Greater Serb Nationalism was merely a means to gain and retain power. After the trauma of 1991, when rebel Serbs occupied 30 per cent of territory, Mr Tudjman steadily consolidated his position. He backed the creation of a modern army in violation of a UN-imposed arms embargo but with financial support from the US and other countries. He led a 150,000-strong Croatian diaspora, a blind eye from the EU and the help of retired US generals.
In 1993 Mr Tudjman went to war against the Muslims to carve out a Croatian mini-state in Bosnia. By the end of the year, however, Washington gave Mr Tudjman a simple choice: either stop the war against the Muslims and receive US backing for the recovery of Serb-held lands, or face sanctions and isolation.
He chose to side with Washington. The US link strengthened after the Washington accords of 1994 when Mr Tudjman formally gave up his original plan to carve up Bosnia with Mr Milosevic and agreed to Washington's plans for a Croat-Muslim federation. From then on Washington was on Mr Tudjman's side, and the strategic balance decisively changed.
A poster plastered throughout Croatia immediately after the army's re-conquest of Krajina last August showed Mr Tudjman, his arms raised in victory with the slogan, "the man who wins". Strategic road and rail links between central Croatia and the Adriatic ports were quickly re-opened and a few months later Mr Tudjman led

his party to another electoral victory. But he fell short of winning the two thirds majority needed to write stronger presidential powers into the constitution.
Having fought four elections over the last six years while battling against what he describes as "Yugo-communist Serbian aggression", Mr Tudjman was furious when European foreign ministers questioned Croatia's democratic credentials earlier this month and postponed indefinitely Croatia's entry into the European Council.
His anger reflected barely disguised contempt at Europe's role in the Balkans. "Disunited Europe was unable to solve the Yugoslav and Bosnian crises. It is united only in trying to discredit the Dayton agreement because that was reached under the stewardship of the US. They want to discredit Dayton at the expense of Croatia. But we will not become anyone's colony," he added.
Citing 21 reservations about Croatia's record in the field of human rights and press freedom, European foreign ministers delivered what Mr Tudjman sees as an insult to the democratic record of the new state. Instead of considering the steps needed to redress European concerns, however, he is bluntly unapologetic. The independent media "critiques everything that Croatia has succeeded in creating. That is not democracy; it is anarchy," he says.
But he is evasive and defensive when tackled on the central criticism of his regime - that it sanctioned the murder of hundreds of mainly aged Serbs who remained in Krajina after the Croatian army re-occupation, and destroyed their homes to make sure they never returned to where they had lived for centuries. "More than 400,000 Croats, Hungarians, Czechs and Ruthenes, all non-Serbs, were expelled during the aggression by the Serb and Yugo-communist army to conquer Croat territory and make it part of Greater Serbia. Many Croats and Muslims were also expelled from

Media by Gavin Gray and Laura Silber

The door is shutting on criticism

The government is fighting a four battle against the media as it waged war

The last two issues of Feral Tribune, the independent satirical weekly, have featured President Franjo Tudjman prominently on the front page. In the first edition, a doctored photo portrayed him as a jovial clown with a bulbous red nose, while a photograph in the next issue showed the metamorphosis of the late Josip Broz Tito, the founder of communist Yugoslavia into President Tudjman himself.
From this you might judge that Croatia enjoys a very free press. But the approach of the ruling Croatian Democratic Union (HDZ) is clearly as authoritarian as the regime it replaced.
Even though the war is over, the government is still fighting a fierce battle against the country's few independent newspapers and remains an ogre grip over the state-owned media.
Croatian state television is Mr Tudjman's personal mouthpiece. The evening news, by far the most influential programme, devotes considerable time to the President's daily engagements regardless of their importance. There is scarce mention of the opposition.
HDZ's media monopoly reached its zenith during the election campaign last October. So enthusiastic was the promotion of the ruling party and Mr Tudjman, its leader, that television viewers were given the impression that he himself was running for office even though his term does not expire until 1997.
Speaking under a picture of Mr Tudjman, whom he calls the "Croatian Bismarck", Mr Nenad Ivanovic, editor of Vjesnik, the country's main state-run daily, says the picture there is changing. It has reverted to its old broadsheet format and has even published articles by opposition politicians.
"There are some limits that I would like to cross, but we have to consider the political environment we operate in," says Mr Ivanovic, who claims that the press' appearance of being under state control is mainly because of self-censorship.
But last month, Mr Ivanovic published a document purporting to reveal that Mr Ivan Zvonimir Cicak, Croatia's most outspoken human rights campaigner, had been an informant for the Yugoslav secret police.
Mr Cicak, whose prosecution at the hands of the Communist regime gives him impeccable nationalist credentials, including three years in prison from the age of 24, is virtually a lone voice of public protest against the hundreds of murders of Serb civilians, and the looting and torching of Serb homes during the Croatian army's offensive in Krajina last August.
In spite of a campaign of continued harassment, however, a handful of independent media, including Radio 101 in Zagreb, have kept journalism alive in Croatia.
Last month, under a new press law, Croatia's public prosecutor filed three suits against Feral Tribune for "destroying the state's manly quality and personal integrity" of President Tudjman. Feral is Croatia's equivalent to Britain's Private Eye, but also runs serious political analysis and sheds light on subjects which the most of the rest of the press ignores or underplays.
The late of Novi List from the Adriatic port of Rijeka, the biggest independent regional paper, has also become uncertain. With a daily circulation of 40,000, it is small fry even by Croatian standards, but it has gained popularity among the elite for the accuracy and independence of its reporting.
The Croatian government has twice challenged the privatisation of Novi List in an

attempt to assert control. In April, the government launched a more subtle attack when the ministry of finance accused the paper of failing to pay import duties on a printing press and evading sales taxes. The printing press was a gift from the Italian government and out subject to such taxes. Novi List also uses the press to print the Italian language newspaper, La Voce del Popolo which serves the region's Italian minority and is the reason for the Italian government's donation. The affair also risks damaging relations with Italy.
Mr Miljenko Maric, a journalist on the paper, says the government's action is an attempt to muzzle Novi List which opens its columns to all political and social view points in an area where the HDZ gets little more than 20 per cent of the vote.
The vigour with which the government has pursued the



Ivan Cicak: a most outspoken human rights campaigner

case against Novi List and liberal actions against several other papers have surprised Croatian journalists since control over television already gives the regime power to shape public opinion. "The fact is that Croatia does not yet have the pre-conditions for a free press. There is no private national television station and there is no independent national newspaper," explains Mr Davor Buskovic, editor-in-chief of Globus, a more mainstream Zagreb-based weekly, which was founded in 1990.
Mr Tudjman however says the public welcomed legal action against reporters whom he castigates as "ideologues of the Yugoslav communist regime, the children of Yugoslav Army officers, and the offspring of mixed Serbian marriages."
"I get letters, from ordinary citizens to university professors. They ask me: 'Mr Presi-

Political by Laura Silber

No victory at the polls

The voting pattern suggested that, with war over, the political climate was changing

After the Croatian army crushed the rebel Serbs in Krajina last August, President Franjo Tudjman called soap elections.
He was convinced his party would capitalise royally on the victory.
But the ruling Croatian Democratic Union (HDZ) fell far short of the two thirds majority it was seeking in the Saborski, the Croatian parliament, and lost control over the biggest towns and cities.
The HDZ spearheaded Croatia's drive for independence and was re-confirmed as by far the largest and most popular party.
It won 46 per cent of the votes and 75 seats in the 127 seat parliament.
But it failed to capture a majority in the capital, Zagreb, or in the Adriatic cities of Rijeka and Split.
It earlier lost control of Osijek, the regional capital of eastern Slavonia.
The voting pattern suggested that, with war over and the peaceful re-integration of eastern Slavonia imminent, the political climate was in the process of changing.
Tired of seeing a handful of people, mostly with links to the ruling party, get rich off the war while they got poor, urban voters, especially the inhabitants of Zagreb, no longer rallied blindly behind Mr Tudjman.
"The people of Zagreb showed they can live without a big boss," says Mr Ivica Rancan, head of the Party of Democratic Changes, a left-of-centre party led by reformed former communists.
"But it will take some time for this view to spread to the rural areas around Zagreb because of the continuing wide gap between town and country," he added.
Mr Tudjman's instinct was to refuse to bow to the will of the Zagreb electorate.
"He simply cannot accept that the opposition was elected

in Zagreb, so he complains the opposition is united only in opposition to him," said a western diplomat.
"The HDZ's further popular erosion is unstopable," believes Mr Stipe Mesic, head of the Croatian Independent Democrats, who split off from the HDZ in protest against Mr Tudjman's moves to carve out a Croatian ethnic state in Bosnia.
"The HDZ is a movement not a political party. It includes a far wider spectrum of views than would be contained in a normal political party. With such a wide range of groups across the political spectrum it will fall apart," Mr Mesic predicts.
"While a third of Croatia remained in the hands of Serb rebels the HDZ, with its control of the media, was able to define the country's political parameters."
"Any protest against official policy was dismissed as unpatriotic, tantamount to national betrayal," he added.
It was this atmosphere which explains in part why the opposition remained silent about the harassment and killing of Serb civilians and the torching of thousands of Serb homes after Operation Storm.
"The opposition would have been politically dead had it spoken out against the violations."
"But if dozens of Serb homes had been destroyed, they could have been dismissed as isolated incidents. The destruction of 20,000 homes meant it was official policy," Mr Mesic now says.
The fractious opposition is now demanding a more effective role in the political life of the country.
"Croatia is finally emerging from the war crisis in which Tudjman and the HDZ prospered."
"But the HDZ can only continue to exist within an autocratic structure," Mr Rancan says.
"The question is whether such a movement can transform itself into a party which can tolerate other parties and will also be prepared to give up power if it loses the elections. That is the big question," he adds.

PLIVA.

Patently

a

top class

company.

Based in Croatia, PLIVA is one of the largest pharmaceutical companies in Central and Eastern Europe.
From its origins 75 years ago, PLIVA now researches, produces, patents and markets products for human and animal health, food and cosmetic uses. It has registered approximately 400 patents in countries all over the world, by far the most important being azithromycin, a broad spectrum antibiotic which has been successfully launched on the global market through a licensing agreement with a major U.S. company.
PLIVA has also developed strong links with many other leading multinational pharmaceutical companies to sell their products in its core markets and to increase exports. In 1995 PLIVA achieved a turnover of Kuna 2078.3m and net income of Kuna 398.7m. Exports over this period accounted for more than 40% of total sales. Following a successful global share offering in April this year, PLIVA's shares have been listed on the London Stock Exchange.
For further information about PLIVA and its products, simply contact us at the address below.

PLIVA d.d.

Zagreb, CROATIA • Ul. grada Vukovara 271/11
Phone: +385 1 6118 782 / ...84 / ...85 • fax: +385 1 6118 783

A modern and flexible system that can meet all Your needs in dairy production and marketing, export and import and all types of road transportation and business aviation.
The system consists of six companies:

- Producers of fresh and UHT milk, butter, fresh cheeses, range of fermentend products, puddings, etc.
- Producers of hard, semisoft and soft cheeses, cottage cheeses, fresh and UHT milk, fermented dairy products, etc.
- Producers of fresh milk, butter and fermented products.
- Export - import company. Specialized for dairy industry.
- Road transportation company. Specialized for dairy industry.
- Business and taxi flights.

When investing in the land of opportunities You should look for opportunity makers.

KAPTOL
investment company

Croatia's first company for managing investment funds.

Maksimirska 120, 10000 Zagreb, Croatia
Phone: +385 1 - 23 91 999, Fax: +385 1 - 23 35 880

KAPTOL BANKA

COMPANIES AND FINANCE: EUROPE

Head of Snecma dismissed in row over strategy

By David Buchan in Paris

The French government yesterday dismissed Mr Bernard Dufour as head of the state-owned Snecma aero-engine company. It complained of his failure to sell off non-strategic assets quickly enough and, in thinly-veiled terms, of his recent row with General Electric, Snecma's long-term US partner.

tres on Mr Jean-Paul Béhat, who spent many years in the Snecma group before being appointed head of SNEE explosives company in 1994. Mr Alain Lamassoure, the government spokesman, yesterday said the summary dismissal of Mr Dufour, who came to Snecma in 1994 from GEC-Alsthom, the UK-French company, was "a bit exceptional". But he said "the recent positions taken by Mr Dufour, notably on Snecma's policy of alliances and its privatisation,

had raised questions about the enterprises strategy", while Mr Dufour had also failed to heed "repeated government demands" to speed up asset sales. Mr Dufour's dismissal is the result of a series of disagreements with ministers and other industrialists. Last week, Mr Dufour revealed to the press that the government was studying the privatisation of the loss-making Snecma. He said he wanted the company to stay in

"entirely French" hands and that it would need a FF1.2bn FF10bn (\$1.4bn-\$1.5bn) recapitalisation from the state. Ironically, one of the main complaints against Mr Dufour is the recent breach in Snecma's long-standing partnership with GE in making the CSM range of aero-engines. Mr Dufour had insisted that Snecma play a bigger technological role in the planned CSM-XX engine to power the stretched version of the A-340 Airbus, by making part of the

"hot" engine core. GE refused and recently negotiated an exclusive six-month study contract with Airbus to supply this engine by itself. Mr Dufour retaliated by signing a similar contract to study development of smaller engines with Pratt & Whitney and by making clear he wanted GE kept out of Snecma's capital. GE had indicated its readiness to take a 30 per cent share in Snecma - an offer that might prove useful in any privatisation of the company.

which last year lost FF1.2bn on French based aero-engine sales of FF3.8bn. Mr Jean Tierson, Airbus president, complained that Mr Dufour's refusal to follow GE in cutting engine prices - because of Snecma's own financial problems - had resulted in Airbus losing sales to Boeing. GE is also believed to have told Mr Pierson that its Geas aircraft leasing arm would only buy Airbuses if there were a change at the head of Snecma.

NEWS DIGEST

Dutch to examine proposed TV deal

The Dutch government is to investigate a proposed pay television merger that would leave a single competitor on the fledgling Benelux digital TV market. The move could prove to be a test case for the government's commitment to stimulate domestic competition.

Earlier this week, Philips, the Dutch electronics group, and Royal PTT Nederland (KPN) proposed to join forces with Nethold, a privately-owned information services provider, to introduce digital television in the Benelux this summer. But Mr Hans Wijers, the Dutch minister for economic affairs, told parliament yesterday: "The key issue is whether this new combination will diminish the chance for new entrants into the pay-TV market. The deal would mean the only existing subscription and pay-per-view competitors in the region - FilmNet / SuperSport (owned by Nethold) and TeleSelect (a Philips-KPN joint venture) - would be subsumed into a single entity. Philips and KPN would receive a shareholding of up to 40 per cent in Nethold Benelux in exchange for TeleSelect.

The proposed merger will bring the Benelux one step closer to the de facto establishment of a TV set-top "black box" technology owned by Nethold. Last month, the Dutch government tabled legislation to boost controls and to set up a watchdog commission with the power to review proposed corporate mergers. David Brown, Amsterdam

US West joins BFr37bn Flemish telecoms tie-up

By Neil Buckley in Brussels

US West, the US telecoms group, is teaming up with 17 Flemish cable-TV companies and a consortium of investors to create a sophisticated broadband telecoms network for Flanders. The deal involves investment of BFr37bn (\$1.2bn) over 15 years.

The service, Telenet, hopes to provide competition in telephony services for Belgacom, the former state-owned group in which a consortium led by Ameritech, another US telecoms group, took a 49.9 per cent stake for BFr73.3bn in December.

It will convert the existing 32,000km of co-axial cable which links 85 per cent of the 2.1m homes and businesses in Flanders into a broadband network capable of offering advanced communications services, as well as video-on-demand, pay-TV, interactive games and other services. It expects to begin within a year. The alliance, concluded this



Telecoms team: (from left) Alex Brabers, GIMV; Piet Vandermeersch, Telenet; Cliff Stice, US West; and Dirk Boogmans, Telenet.

week after more than a year of feasibility studies, is the latest in a spate of telecoms deals ahead of liberalisation of European Union telephone services on January 1 1998. US West has a 25 per cent

share of the new company, with 35 per cent held by the 17 cable distribution companies. Six of these are pure public utility companies, while 11 are mixed utility companies with elements of public and private

ownership. A further 20 per cent is held by GIMV, the Flemish investment company, while a consortium of investors including Kredietbank, ABB, and Gevaert has the remaining 20 per cent. The

group will have capital of BFr13bn. Much of the projected BFr37bn investment will come in the first seven years. This will involve BFr15.5bn to create a fibre optic "backbone"

ring linking the existing cable services, with switch and transmission equipment; BFr13.2bn to upgrade the existing networks; and BFr8.4bn in administrative systems. The group expects to break even by the sixth year, with annual turnover by the 10th year projected at BFr20bn.

Mr Gary Ames, US West's chief executive, said the move complemented its existing European cable interests, including a move into the UK as founding partner of TeleWest, the world's largest independent operator of combined cable TV and telephone services, as well as investments in the Netherlands, France, Scandinavia and eastern Europe. He said high telecoms prices in Belgium made it ripe for competition. The former monopoly provider, Belgacom, which recently installed a new board following its partial privatisation last year, is busy restructuring and cutting staff - and attempting to throw off a reputation for poor service.

Creditor banks give assent to Belleli restructuring plan

By Andrew Hill in Milan

Creditor banks of Belleli yesterday cleared the way for the eventual break-up and sale of the internationally-known Italian engineering contractor, by signing up to a financial and industrial restructuring plan.

The formal approval of the plan cuts almost all the group's ties with the founding Belleli family, which managed the company until last year when it hit financial difficulties. The original Belleli holding company is now under court administration.

The conversion of bank debt into equity in a restructured holding company, called Implant, will leave the family with only a minimal stake. Mr Renato Cassaro, brought in as chief executive in November, said yesterday the company would now be able to press ahead with an important contract with Shell Offshore, the US offshore exploration arm of Royal Dutch/Shell, for the construction of a new drilling platform known as Urso.

Belleli expects to be able to sign the contract, worth L250bn (\$160m) to the Mantua-based company, next month. Shell had been cautious about going ahead with the deal while Belleli was still in administration. Mr Cassaro said yesterday he expected a Mantua court to lift the administration order in "a couple of months". He explained that the Urso project would be handled by a new company, especially established to reassure Shell that income from the contract would not simply be used to finance the rest of the group. Belleli is well-known for its work on heavy engineering contracts, such as the construction of power stations

and deep-sea oil platforms, but delays in payment on government contracts led to a financial crisis last summer. "If this had been any other company, without the strong technological base, we would not have signed this restructuring plan," Mr Cassaro said yesterday.

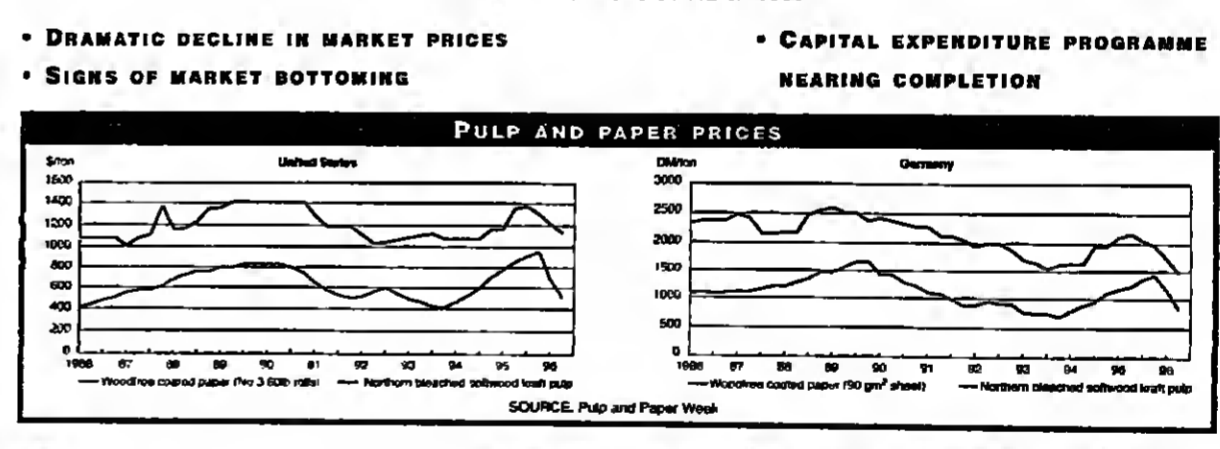
Mr Cassaro, a former manager with Iri, the Italian state holding company, now intends to proceed with the restructuring and eventual sale of the group. Its core energy and offshore subsidiaries will be wholly owned by Implant, the new holding company,

and non-core businesses will be sold first. The aim was to sell the energy and offshore activities themselves by the middle of 1995, he said.

All but seven of the group's 53 creditor banks agreed to write off 60 per cent of Belleli's L1,000bn of debt, and the remaining loans will be converted into equity. The company is still negotiating with suppliers about the write-off of between 60 and 80 per cent of outstanding debts of L260bn. The crisis cut Belleli's turnover in 1995 to L1,162bn, against about L1,400bn in 1994.

REPUBLICQUE DE COTE D'IVOIRE PRIMATURE MINISTRE DELEGUE AUPRES DU MINISTRE DES INFRASTRUCTURES ECONOMIQUES, CHARGE DE L'ENERGIE ET DES TRANSPORTS Third Thermal Power Plant for Abidjan Tender Shortlist Notification

sappi limited UNAUDITED RESULTS For the six months to 31 March 1996



SUMMARY OF RESULTS: SALES \$177m, OPERATING INCOME \$213m, NET INCOME \$96m, EARNINGS PER SHARE 58 US CENTS, DIVIDENDS PER SHARE 70 SA CENTS, CASH GENERATED FROM OPERATIONS \$331m.

Handwritten signature in Arabic script at the bottom of the Sappi advertisement.

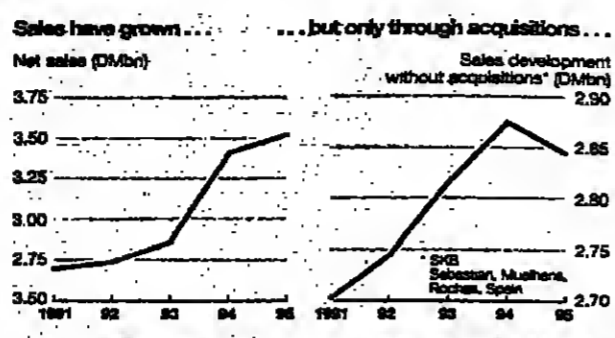
COMPANIES AND FINANCE: EUROPE

Wella chairman gets to the root of the problem

Costly expansion and acquisitions left little time for promoting core brands, writes Paul Abrahams

Wella lost its lustre last year. The world's largest supplier of professional haircare products not only suffered a 48 per cent fall in net earnings...

large distribution network, but attempted to market inappropriate items, such as styling products. Sales were only half the expected levels...



Jürgen von Cramshaar: 'Frankly speaking, we made mistakes'

because net debt has increased from just DM375m at the end of 1993 to DM656m at the end of last year...

Mr von Cramshaar's measured ambitions may hold back the stock. The company may struggle to grow, given that most expansion has been through acquisition...

and profits have tumbled... dragging the shares down. The share price (DM) has fallen from 1.250 to 0.850.

Foreign subsidiaries have also been brought better under control. In China, management has been changed...

ordered over greater quantities, exacerbating Wella's difficulties. The cost of contract manufacturing to make up the shortfall hit margins...

NEWS DIGEST

Sandvik in position to control Tampella

Sandvik, the Swedish toolmaker, yesterday won its bid for control of Tampella by ensuring it will take a majority stake in the Finnish industrial group over the next three years...

Once concluded, the conversion will take Sandvik's stake in Tampella from 48.2 per cent to about 55 per cent. Tampella agreed to buy back Sandvik's Tamrock stake for FM235m...

Sandvik built up its Tampella stake in a series of bilateral purchases from large Tampella shareholders, but under local takeover rules it was never obliged to make a full bid. It paid FM10.50 a share for most of its stake...

Hugh Carnegie, Stockholm

Lufthansa ends Modiluft accord

Lufthansa is ending its relationship with private Indian carrier Modiluft with immediate effect, an official of the German airline said yesterday. Financial constraints between the two partners that do not conform to internationally accepted and practised business norms leave Lufthansa no other choice but to move in this unhappy direction...

Mr Heinen said the decision to break ties with Modiluft would not jeopardise or undermine any other project we are currently involved in...

Mr Heinen said the decision to break ties with Modiluft would not jeopardise or undermine any other project we are currently involved in...

Mr Heinen said the decision to break ties with Modiluft would not jeopardise or undermine any other project we are currently involved in...

Reuter, New Delhi

Vasakronan loan in syndication

A \$200m credit facility for Vasakronan, the Swedish state-owned real estate company which counts Stockholm's opera house among its properties, was launched into general syndication yesterday. The five-year loan, the first international facility for Vasakronan, is being arranged by Chase and Enskilda.

The loan carries a margin of 22 1/2 basis points over the London Interbank Offered Rate (Libor) and a commitment fee of 1 1/2 basis points. Banks taking up \$25m of the loan will earn 7 1/2 basis points. Although the loan is not guaranteed by the government, there is a covenant which prevents the state from lowering its stake in Vasakronan below 51 per cent.

Vasakronan, whose tenants are mainly government authorities, from the police to the inland revenue, will use the proceeds of the loan for refinancing and general corporate purposes.

Antonia Sharpe

Zurich Insurance upbeat

Zurich Insurance, the Swiss insurer, expects to produce double-digit profits growth this year, as it continues to digest recent US acquisitions. Mr Rolf Hüppi, chief executive, said yesterday. He said new US business last year accounted for about one-third of the 13.3 per cent rise in Zurich Insurance's consolidated gross premiums...

Presenting 1995 results, Mr Hüppi said he expected a 'favourable contribution' this year from the recently-acquired Kemper US life and asset management companies. However, he said the performance of re-named asset manager, Zurich Kemper Investments, 'does not as yet fulfil middle and long-term expectations'...

Zurich increased consolidated profits 25.7 per cent to SF174.1m (\$85.9m) in 1995. After converting into Swiss francs, gross premiums rose 4.8 per cent to SF126.4bn. Mr Hüppi expected growth in gross premiums of between 8 and 10 per cent this year, expressed in local currencies. He said: 'Unless faced with exceptional events in the area of claims or on the capital and foreign exchange markets, I am confident that we will achieve a further improvement in insurance operating return in the current year and a double digit growth rate in annual profit.'

Ralph Atkins, Insurance Correspondent

Cement groups battle for Polish production capacity

By Christopher Boblinski in Warsaw

Intense competition by foreign cement producers for Poland's remaining domestically owned capacity is boosting prices for plants and increasing the value of national investment funds set up last year under the country's controversial mass privatisation programme.

such as CBR of Belgium and Lafarge of France, which bought plants under the privatisation programme between 1993 and last year. About 10 per cent of capacity remains directly in state hands while 25 per cent, made up of six plants, is controlled by the national investment funds.

Under the privatisation programme, the 16 NIFs have been handed a 33 per cent stake in 512 state sector companies while each member of the population is entitled to a share in each NIF at a nominal overall charge of 20 zlotys. All the NIFs but one are run by teams of foreign and local investment bankers, with each NIF owning controlling shares in about 35 companies and minority 2 per cent stakes in the rest.

Recently, 12 NIFs sold their minority stakes in the Malogozysz cement works to Lafarge, giving the French producer a 23 per cent share in the plant and valuing it at \$80m. This price, which corresponds to about \$100 per tonne of cement-producing capacity compares, favourably to the \$68 per tonne Lafarge paid when it bought a 75 per cent stake in the Kujawy works from the Polish government for \$48m almost a year ago.

It is also more generous than the DM157m (\$101m) CBR agreed to pay in 1994 for a 51 per cent stake in the Gorazdze cement works and 60 per cent of the equity in Strzelce Opolskie, which together have about 3m tonnes of capacity and provide approximately a quarter of the country's output.

Corazdze has since been listed on the Warsaw Stock Exchange, which values the plant at \$200m. CRE, the Irish construction group and Elektrim, its Polish partner in Holding Cement Polska, last year paid only \$57m for a 75 per cent stake in the Osarow cement works, giving HCP a tonne of production capacity for about \$50.

Telecom Eireann profits doubled as mobile business surges

By John Murray Brown in Belfast

Telecom Eireann, the Irish state-owned telecoms company which is in negotiations to sell a 35 per cent stake, reported a 137 per cent rise in profits for the year to April 4. This enabled the company to reduce its debt by £115m (\$248m) despite aggressive price cuts in most of its services.

Swedish company and KPN, the recently privatised Dutch telecommunications company; and Tele Danmark, the Danish telecoms group. Telecom Eireann hopes to announce the result of the tender for a strategic partner in July.

KPN-Tele is understood to have offered an indicative price of £225m, although TE is hoping the final sale price will be about £240m. Tele Danmark is seeking a partner for its bid.

Pre-tax profits rose from £49m in 1995 to £118m. Turnover was up 12 per cent to £1.09bn, breaching the £1bn mark for the first time despite a £85m price cut package.

The company achieved 12.4 per cent overall growth in telephone traffic, which accounts for 56 per cent of total turnover. It reduced its basic charges to the UK by 50 per cent, and to the US by 64 per cent. These two destinations account for 76 per cent of all international traffic. TE claims to offer the second cheapest telephone rates in Europe, which is one reason for the rapid expansion in telemarketing investment.

Ireland now accounts for 40 per cent of all international call centres in Europe. Telephone rental accounted for 19 per cent of turnover, and overseas income for 11 per cent. The number of new mobile connections increased 80 per cent to 158,000, compared with 165,000 new fixed telephone lines, making Ireland the fastest growing mobile market in Europe.

Atlas Capital Limited (Incorporated in the Cayman Islands) Notice convening an adjourned meeting on 14th June, 1996 of the Holders of FF 4,500,000,000 6.375% Guaranteed Notes due 1998 (the "Notes") and the Holders of FF 4,502,000,000 Guaranteed Floating Rate Notes due 1998 (the "FRNs")...

NOTICE TO HOLDERS OF THERMO CARDIOSYSTEMS INC. NON-INTEREST BEARING CONVERTIBLE SUBORDINATED DEBENTURES DUE 1997 NOTICE IS HEREBY GIVEN BY Thermo CardioSystems Inc. ("the Corporation"), pursuant to Section 7(a)(v) of the Fiscal Agency Agreement dated as of January 5, 1994...

Hansol (Incorporated in the Republic of Korea with limited liability) HANSOL PAPER CO., LTD U.S.\$37,500,000 Floating Rate Note due 1997 with Warrants to subscribe for Non-voting Shares of the Hansol Paper Co., Ltd

Les Echos FINANCIAL TIMES The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to target the French business world.

TELECOM ITALIA MOBILE SpA TELECOM ITALIA MOBILE S.p.A. Registered Office in Turin Share Capital Lit. 410,200,571,850 fully paid up Entered under No. 2589796 of the Ordinary Section of the Company Register Court of Turin - Fiscal Code 0847780010

COMPANIES AND FINANCE: ASIA-PACIFIC

Domestic sales drive Mitsubishi Motors

By Michio Nakamoto in Tokyo

Mitsubishi Motors (MMC), one of Japan's leading vehicle makers, posted record profits on a non-consolidated basis last year. The result was helped by cost-cutting measures and higher sales in the Japanese market.

recurring profits were 41 per cent lower at ¥31.3bn. The parent company, however, increased recurring profits by 15 per cent from ¥48bn to a record ¥55.4bn on sales down by 5 per cent from ¥2,852.5bn to ¥2,522.6bn. The better profits were attributed to cost-cutting measures.

obstructed by the disappointing performance of the Galant, its mainline passenger car which is approaching a model change this year. Exports fell significantly due to the shift of production overseas, particularly to the US.

joint venture, the Carisma, had sold firmly in the current year. Against 6,700 units sold last year, when the car was sold in only five markets, the Carisma has sold 6,500 units in the first three months alone of this year. MMC is targeting sales of 80,000 to 70,000 a year after the facility goes into full production later this year.

consolidated profits on record sales. The strong performance enabled the company, which is 37.4 per cent owned by General Motors, the US car maker, to wipe out its cumulative losses of ¥33.5bn at the end of March.

Siam Cement shows 20% growth in first quarter

By Ted Bardsack in Bangkok

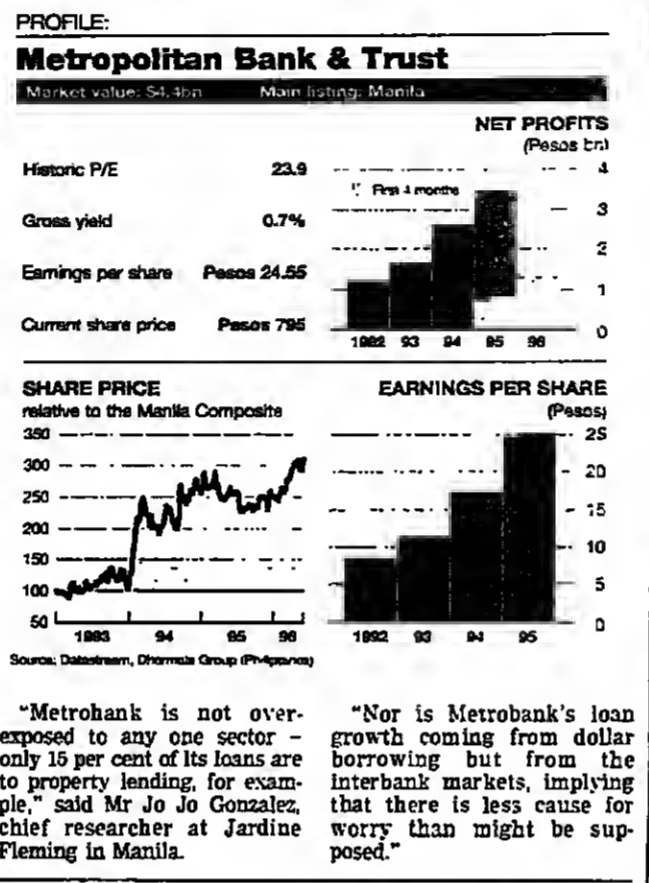
Siam Cement, Thailand's largest industrial conglomerate, reported strong first-quarter net profit growth yesterday, despite a drop in earnings at its cement business.

Metrobank lifted by loan growth

By Edward Luce in Manila

Shares in Metropolitan Bank & Trust Co (Metrobank), the Philippines' largest private-sector bank, soared to a record high yesterday after the company said that net profits grew by 66 per cent in the first four months of 1996.

months - is expanding at a much slower rate than its loan portfolio, say it is unlikely Metrobank will maintain this rate of expansion in the medium term. Metrobank's loan-to-deposit ratio increased from 70 per cent to almost 100 per cent in the past 12 months.



MAS disappoints despite 67% rise

By James Kynge in Kuala Lumpur

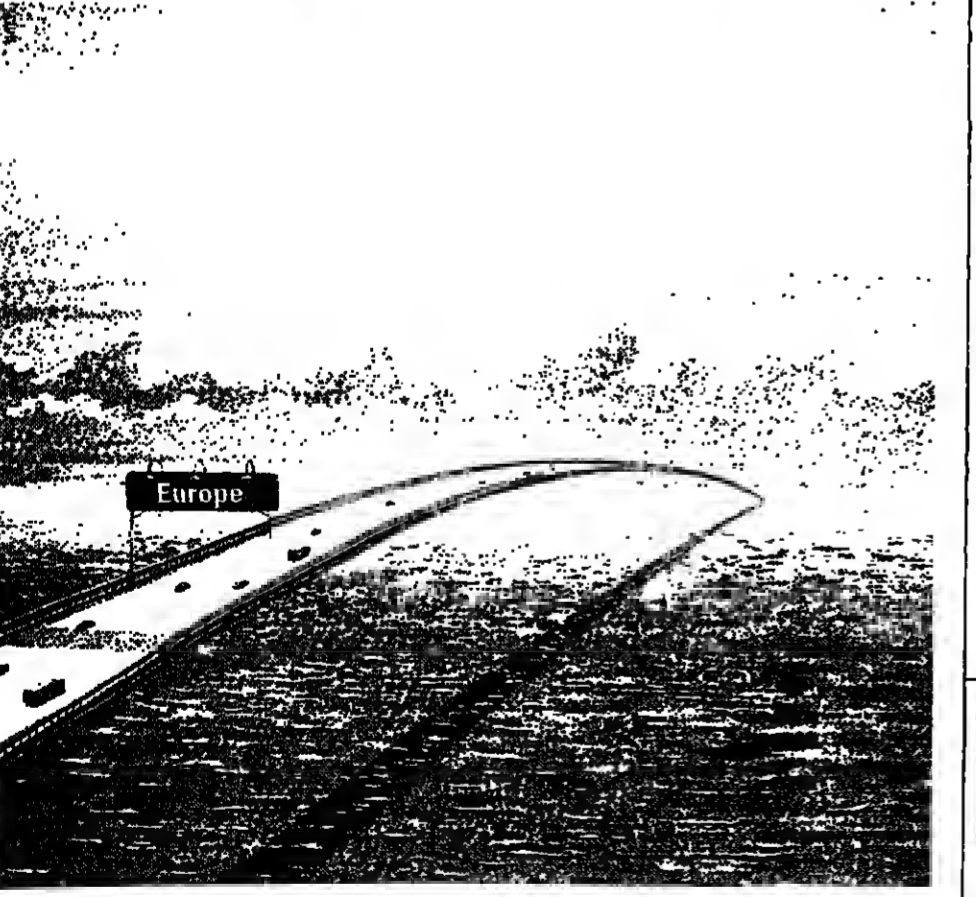
Malaysian Airline System yesterday announced a 67.3 per cent jump in full-year net profits, confirming a revival of fortunes at the former state carrier which was bought in 1994 by a telecoms entrepreneur with no airline experience.

profit was M\$218.11m, up 61.3 per cent, on turnover ahead 16.3 per cent at M\$5.63bn. Mr Tajudin Ramli, chairman of the airline's owner, Malaysian Airline System Berhad, said costs had been cut and new routes obtained through agreements with other airlines - allowing under-used aircraft to spend more time flying.

with the UK's Virgin Atlantic, Ansett Australia and Canadian Airlines International provided new routes and helped raise average daily flying times from 11 to 13 hours for Boeing 747s and from seven to eight hours for Boeing 737s.

Mr Tajudin attributed the second-half slowdown to a M\$70m payment for salary increases and a slight rise in fuel costs. He added that a process of cost cutting and raising productivity was continuing, but said this would not result in redundancies among the group's 20,000 staff.

The airline's M\$6.8bn debt remains the biggest problem. A private placement of 70m new ordinary shares this month reduced the debt to equity ratio from 1.8 to 1.6 times. Mr Tajudin said the company was interested in an equity infusion from a foreign company, partly to cut debt and partly to further expand routes.



Global banking made in Germany. WestLB advertisement with text describing their services and contact information.

Mayne Nickless to dispose of Optus stake

By Nikki Tait in Sydney

Mayne Nickless, the Melbourne-based transportation, security and healthcare group, brought to an end months of speculation yesterday when it said it would sell its 24.9 per cent stake in Optus Communications, the Australian telecommunications group.

Write-back behind rise at Indian bank

The Industrial Credit & Investment Corporation of India, the country's leading development bank, yesterday announced an after-tax profit of Rs1.74bn (\$133m) for the year to end-March.

ICICI said that while the average cost of funds rose from 10.7 per cent to 11.4 per cent, the average yield on funds in deployment remained unchanged at 14.9 per cent. "The full impact of the interest rate hikes on the lending rates has not been felt in 1995-96," according to the company. The net spread dropped from 3.47 per cent to 2.93 per cent as a result.

Bank Indonesia yankee offering

Indonesia's central bank is preparing to launch its first bond offering in the yankee bond market - the US domestic bond market for foreign issuers - in order to establish a benchmark for future bond issues from the private sector.

Goodman in Vietnam re-think

The Australian Wheat Board said yesterday that it understood Goodman Fielder, Australasia's largest food manufacturer, was looking to pull out of its flour mill joint venture in Vietnam, and sell its 52.5 per cent interest in the project.

Toshiba promotes vice-president

Toshiba, one of Japan's leading integrated electronics groups, is to promote its executive vice-president, Mr Tazuo Nishimuro, to president in succession to Mr Fumio Sato. Mr Sato will become chairman to replace Mr Joichi Aoi, who will become an adviser to the electrical giant.

Australia, Korea in SE accord

The Australian and Korea Stock Exchanges have signed a memorandum of understanding, designed to formalise communications lines and facilitate the flow of information between the two organisations. The MOU with the Korean exchange follows a similar agreement between the ASX and Kuala Lumpur Stock Exchange earlier this month.

Coles Myer settles litigation with former finance director

By Nikki Tait

Coles Myer, Australia's biggest retailer, said yesterday that it had settled its litigation with Mr Philip Bowman, its former finance director. Mr Bowman's acrimonious departure from the company last year led to questions about corporate governance standards at the retailer and prompted institutional investors to push for board changes.

withdraw all allegations made against the other, with Mr Nobby Clark, Coles' new chairman, saying he wished Mr Bowman well for the future. Mr Clark added that he had found Mr Bowman "to be a person of complete integrity and sincerity".

ing from 1990, which cost Coles about \$518m and benefited interests associated with Mr Solomon Lew, Coles' former chairman, by a similar amount. As more revelations about the Yannon deal emerged, the institutional pressure mounted - culminating in boardroom upheaval.



Philip Bowman: claimed he was dismissed for 'Yannon' inquiries

BUSINESSES FOR SALE advertisement with contact information for Melanie Miles and Karl Loynton.

NOTICE TO HOLDERS OF THERMO ELECTRON CORPORATION 4% SENIOR CONVERTIBLE DEBENTURES DUE 1997 advertisement.

THE ROYAL BANK OF CANADA advertisement regarding floating rate debentures.

A Prime Site for your Commercial Property Advertising advertisement with contact information for Courtney Anderson and Nadine Howarth.

Handwritten signature or note at the bottom of the page.

COMPANIES AND FINANCE: THE AMERICAS

Texas Instruments chairman dies at 58

By Louise Kehoe in San Francisco and Paul Taylor in London

Jerry Junkins, chairman, president and chief executive of Texas Instruments, died suddenly yesterday while visiting customers and employees in Germany. He was 58. Junkins had headed Texas Instruments, one of the world's largest semiconductor chip producers, since 1985...



Jerry Junkins: TI's revenues more than doubled, from about \$6bn to more than \$13bn, during his tenure

During his tenure at TI the company's revenues more than doubled, from about \$6bn to more than \$13bn. TI greatly expanded its international operations, establishing a semiconductor joint venture with Acer in Taiwan...

Junkins was credited with stabilising TI's financial performance by balancing its role as one of the world's leading producers of dynamic random access memory chips... Mr Pat Weber, formerly president of TI's semiconductor division...

respect, of colleagues and peers in the computer and semiconductor industries as well as among the many community projects in which he had been involved. A committed "free trader", Junkins was active in promoting the passage of GATT and Nafta agreements...

Table, to bolster support for free trade among small business executives. He feared that politicians on the "far right and left" could undermine US support for free trade and believed business leaders like himself had a duty to persuade their peers of the advantages of open trade.

Seagram slides 61% despite rise in revenues

By Tony Jackson in New York and Robert Gibbons in Montreal

Seagram, the Canadian drinks and entertainment group, saw net income from continuing activities fall 61 per cent in the first quarter to US\$23m, despite a near doubling in revenues as a result of acquisitions. Cash flow rose 50 per cent to \$304m.

Cash flow from the MCA entertainment business, acquired last year, was down 17 per cent on a like-for-like basis at \$108m, on revenues 1 per cent lower at \$1.1bn. Cash flow from films surged from \$43m to \$109m.

However, the music division showed a cash outflow of \$13m compared with a \$50m inflow, as a result of a 27 per cent fall in revenues to \$228m and continued heavy investment in new artists and marketing.

The soft drinks division increased its cash flow 17 per cent to \$48m on sales up 20 per cent at \$483m. This was helped by the acquisition of the Dole fruit juice business...

The net earnings figure was affected by sharply higher taxes - \$50m against \$22m - despite a 9 per cent fall in pre-tax income to \$74m. Net earnings from continuing operations were 6 cents per share, compared with 16 cents. At the company's annual meeting in Montreal, Mr Edgar Bronfman, chairman, reiterated an earlier warning that no financial improvement was expected until the start of the financial year, which is being moved to July 1.

Novell slips into red after distribution policy change

By Paul Taylor

Novell, the world's leading supplier of personal computer networking software, posted a second-quarter loss yesterday, as expected. This followed changes in product distribution policy announced this year.

The changes - which reflect the switch in customer purchasing behaviour in favour of software rather than boxed software - reduced worldwide inventories held by resellers and distributors by about \$25m, and reduced shipments by a corresponding amount.



As a result, the group reported a 15 cents a share net loss for the quarter ended April 27 compared with earnings of 26 cents a year earlier. Revenues declined to \$188m from \$530m a year ago when the figures included \$149m of revenue from the applications software and LinkWare operations which were sold during the first half. The sale of the applications software, including WordPerfect, a word processing programme...

Royal Bank of Canada up 12%

By Bernard Simon in Toronto

Record investment banking income and lower loan-loss provisions helped Royal Bank of Canada, the country's biggest financial institution, to a 12 per cent advance in second-quarter earnings. Although yesterday's results were slightly above analysts' forecasts, earnings were 4 per cent below the previous three months. This reflected a shorter quarter and lower proceeds from the sale of bonds to developing countries. Net income rose to C\$340m (US\$271m), or 97 cents a share, in the three months to April 30, from C\$304m, or 83 cents, a year earlier. Return on equity climbed to 17 per cent, from 16.3 per cent. Return on assets was unchanged at 0.73 per cent. Loan loss provisions fell to C\$110m, from C\$140m.

NEWS DIGEST

US, Canada airlines close to service link

American Airlines and Canadian Airlines International were yesterday granted "tentative" antitrust immunity by the US department of transportation, allowing the two carriers to integrate their US-Canada air services. The department said it would make a final decision after June 4. Canadian Airlines International is 83 per cent owned by AMR, American Airlines' parent, and the two already share codes on cross-border flights. Under the new agreement the two carriers will fully integrate their cross-border services while retaining their separate corporate and national identities. The department said final approval of the deal would allow American Airlines to compete more effectively with other carriers and alliances in the US-Canada market, which was deregulated last year. American Airlines applauded the move, saying it would allow the US-Canada "open skies" agreement to reach its full potential. Richard Tomkins, New York

New finance chief for Colgate

Colgate-Palmolive said Mr Robert Agate, 60, its chief financial officer would retire on July 1, to be replaced by Mr Stephen Patrick. Mr Patrick is currently vice-president and corporate controller. AFX News, New York

Ericsson in San Francisco deal

Ericsson, the Swedish telecom equipment group, has won an order from PersonalTechnology Services (PTS) to deliver SuperCordless, a low-tier PCS (personal communications service) telephone system in San Francisco in 1997-2000. The first-year value of the agreement was estimated to be \$50m. Ericsson said the order is contingent on PTS acquiring PCS licences in an auction. AFX News, Stockholm

Forthcoming Surveys Asia-Pacific

- Philippines, Taiwan, New Zealand, Indonesia, Malaysia, Power in Asia, Australia, Vietnam, Thailand, China

FIDELITY FUNDS SICAV Société d'Investissement à Capital Variable. Fidelity Funds Sicav has declared an interim dividend in respect of shares of Fidelity Funds - Sterling Bond Fund in issue at the close of business on April 30, 1996.

NOTICE TO BONDHOLDERS Acer Incorporated. Please note there has been a correction made to the telephone number and fax number of Citibank Taipei of our 'Notice to Holders of Acer Incorporated US\$45,000,000 4 1/2% Bonds Due 2001' that was published on May 13, 1996.

Our Royal Brotherhood From June 1st, AssiDomän Kraft Products will be responsible for the marketing of the products of the Czech company Sepap in Štětí.

CREDIT COMMERCIAL DE FRANCE REVERSE FLOATER BONDS DUE 1997. For the period May 28, 1996 to November 28, 1996 the new rate has been fixed at 14.75021% p.a.

\$275,000,000 HMC FINANCING 3 PLC. Mortgage Backed Floating Rate Notes due December 2008. Notice is hereby given that there will be a principal payment of \$2,080,000 per Note on the interest payment date June 17, 1996.

\$100,000,000 HMC MORTGAGE NOTES II PLC. Floating Rate Notes due 2021. Notice is hereby given that there will be a principal payment of \$4,500 per \$74,980 Note on the interest payment date June 14, 1996.

NATIONAL BANK OF GREECE RECRUITMENT OF SPECIALISED PROFESSIONALS. The National Bank of Greece invites applications for twelve positions of specialised professionals. The applicants should have an excellent knowledge of English and Modern Greek.

Notice of Early Redemption to Holders of Series J of RSPV City Limited. Guaranteed Extensible Variable Rate Notes due 2006/2007. NOTICE IS HEREBY GIVEN that in accordance with Section 5.01(a) of the Indenture, dated 20th September, 1993, Series J of the U.S. \$271,000,000 Guaranteed Extensible Variable Rate Notes due 2006/2007 of RSPV City Limited will be redeemed in full by RSPV City Limited on the Interest Payment Date falling on 27th June, 1996.

Behind the bank... offering... re-think... record

Handwritten signature/initials

COMPANIES AND FINANCE: UK

Carlton beats City expectations with £143m

Record programme sales of £72m helped to push Carlton Communications, the broadcasting and media services group, to better than expected pre-tax profits of £143.3m (£217.8m) for the six months to the end of March.

Carlton is now one of the largest programme makers in the UK with the expertise and resources to compete on a global scale. Mr Michael Green, chairman of Carlton said yesterday.

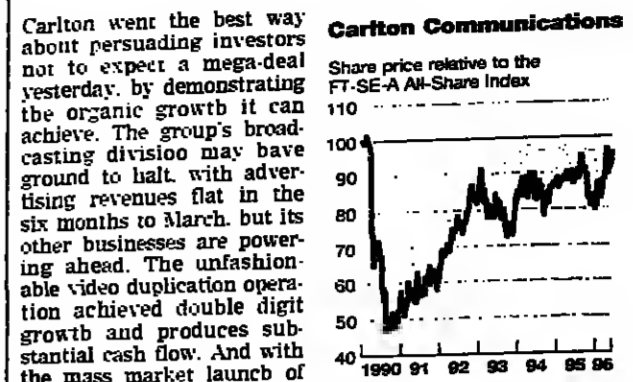
Carlton, which owns both Carlton Television in London and Central in the Midlands, said it was providing more than a quarter of the autumn, winter and spring ITV schedule, with dramas such as Sharpe, Kavanagh QC, Bramwell, Cadfael and Peak Practice.

Carlton looked carefully at mounting a hostile takeover bid for MAI, the broadcasting and financial services group now merged with United News and Media, but decided the price was too high. The same is likely to apply to the remaining ITV companies not already part of larger groups.

Analysts yesterday moved up their estimates for the full year to forecast pre-tax profits of between £280m-£300m. Carlton shares, which have risen by 30 per cent in the past 6 months, were up 3p yesterday to finish at 481p.

Earnings rose 13 per cent to 13.8p and the dividend rose 17.5 per cent to 4.37p.

LEX COMMENT Carlton



Carlton went the best way about persuading investors not to expect a mega-deal yesterday, by demonstrating the organic growth it can achieve. The group's broadcasting division may have ground to halt, with advertising revenues flat in the six months to March, but its other businesses are powering ahead.

Cashmere prices hit Dawson

Steep price rises in the luxury cashmere market triggered a 39 per cent fall in underlying profits last year for Dawson International, the Scottish textile group best known for its Pringle brand.

However, orders had surged in the past six weeks, helped by a fashion-driven redesign. Pre-tax profits of £3.9m, after exceptional charges of £5.6m for disposals, compared with £1.7m previously, depressed by restructuring charges of £22.4m.



Derek Finlay: conditions 'as bad as anyone can remember'

WH Smith ready to put DIY chain up for sale

WH Smith, the high street retailer, is set to signal a readiness to sell Do It All, its loss-making DIY chain, when it presents the results of its strategic review next month.

WH Smith's share of Do It All's losses deepened from £3m to £7.7m (£11.7m) in the 31 weeks to January 6, as like-for-like sales slumped 3.2 per cent.

RESULTS

Table with columns: Company, Turnover (£m), Pre-tax profit (£m), EPS (p), Current payment (p), Date of payment, Dividends (p), Total for year, Total last year. Lists companies like Almacs Polar, Anglian Water, Bellerbence, etc.

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. *After exceptional credit. †On increased capital. ‡On reduced capital. *Equivalent after allowing for scrip issue. †Includes special of 2.6p. *Comparatives restated.

Do It All is a transaction waiting to happen," said a source close to the company. "The long term view is that the market is over-supplied and given the right offer, the group would be very interested in selling."

WH Smith maintained it was under no immediate pressure to dispose of the unit - jointly owned with Boots - as sales had recently picked up amid signs of revival in the UK housing market.

Although Boots is the obvious purchaser, it is thought unlikely that the chemists group would want to deepen its DIY involvement. Other UK DIY groups, who may be interested in at least some Do It All outlets, are B&Q, part of Kingfisher, and Homebase, the Sainsbury subsidiary, Castorama, the French retail group, is also believed to have held talks with the group.

The City has made little secret of its belief that WH Smith should sell or close Do It All, claiming the issue is the most urgent one to be addressed in the strategic review initiated by Mr Bill Cockburn, the new chief executive.

Kalamazoo makes \$33m purchase to expand in Europe

By Richard Wolfe, Midlands Correspondent

Shares in Kalamazoo Computer Group rose 28p to 143p yesterday after it released an upbeat trading statement and announced a \$33m acquisition to expand its computer systems operations in continental Europe.

Kalamazoo said it had conditionally agreed with Datapoint Corporation of the US to buy its activities in European automotive dealer systems (EADS), to be funded partly by a placing and open offer. The rights issue - believed to be the first in the company's 100-year history - will raise about £7.5m net of expenses.

Cash or shares for Dairy Crest owners

By Alison Maitland

The 28,000 dairy farmers who indirectly own Dairy Crest, the former processing arm of the Milk Marketing Board, will be offered shares in up to 75 per cent of the company before it floats this summer, or a cash alternative.

The balance of the shares will be placed with institutions. Dairy Crest also unveiled a 69 per cent rise in pre-tax profits to £37.4m (£56.6m) in the year to March 31.

Sir Derek Andrews, chairman of the residual milk marketing board, which owns Dairy Crest on behalf of producers, said the company envisaged operating an internal market in the shares for a short period just before flotation. This would enable farmers to buy and sell their allocation of shares among themselves to establish a core of producer-owners.

Waterford Foods reviews options

Waterford Foods may merge or enter a partnership with fellow Irish dairy groups as competition increases through the industry, its shareholders were told yesterday, writes Martin Erics.

Mr Matt Walsh, managing director, told the annual meeting he was reviewing options that included "merger, partnerships or other form of strategic alliance" to cope with an "era of tremendous change". This included the impact of Gatt and increased competition stemming from liberalisation of world trade and enlargement of the EU.

Abacus shares fall on warning

By Christopher Price

A strong set of results from Ahacns Polar, the newly-merged electronics components distributor, were marred yesterday by a warning that sales and profits for the second half would be adversely affected by falling product prices.

The warning, which sent the shares down 19p to 220p, came as the group reported a 45 per cent rise in pre-tax profits to £4.5m (£6.84m) for the six months to March 31. The group, which was formed from the takeover of Polar by rival Abacus at the end of last year, saw turnover rise 48 per cent to £46.6m. Polar also contributed £600,000 to pre-tax profits.

Mr Brian Murdoch, chief executive, said the steep fall in semiconductor prices had only had a slight impact on the results as the component did not form an integral part of the group's supply lines.

The UK market, which accounts for three-quarters of revenues, saw "reasonably strong" trading in the half. However, prices had begun to weaken in some component areas, particularly those closely related to the semiconductor market.

Trading in Sweden had proved tougher, with the Pro-max subsidiary encountering falling product prices.

HOBERT COMMUNICATIONS logo and services list: FINANCIAL ADVERTISING AND MARKETING, TOMBSTONE ADVERTISING, BROCHURE DESIGN, AUDIO VISUAL PRESENTATION, NEWSLETTERS, INCENTIVES, EXHIBITIONS. Contact: STEPHEN WITT, MARKETING DIRECTOR.

Carlton Communications Plc Exchangeable Capital Securities and Bearer Securities. Text describing the securities and their terms.

Handwritten Arabic text at the bottom of the page.

COMMODITIES AND AGRICULTURE

Chicago bulls run for cover as sun comes out

By Laurie Morse in Chicago

Sunshine on LaSalle Street helped push Chicago maize and wheat futures prices down...

grain belt over the weekend could only speed germination of new-crop maize.

slaughter. The US Department of Agriculture is also expected to release some 42m bushels of emergency food reserve maize...

Batteries boost cobalt demand

By Kenneth Gooding

Rechargeable batteries used for electronic equipment such as portable telephones and laptop computers are joining new life into the cobalt market...

Table: The Cobalt Market. Columns: Segment, 1995, 2000, Future. Rows: Superalloys, Hardening and other alloys, Magnets, Hard materials, Catalysts, Colours, Feedstuffs, animalising, Cu extraction, recording, Batteries, Adhesives and driers.

from about 1bn units last year to nearly 2.5bn in 2003. In this market analysis, Mr Bryce suggested that only one other sector would show strongly increasing demand for cobalt: catalysts for the oil and chemical industries.

Interest in Icelandic aluminium plan revives

By Kenneth Gooding, Mining Correspondent

A plan to build a US\$1bn aluminium smelter in Iceland to take advantage of that country's cheap hydro-electric power... was shelved in the early 1990s when aluminium prices dived to historic lows...

government, which would have to expand the country's state-owned hydro-electric power capacity.

Mr Born made it clear, however, that the Icelandic smelter was just one of a number of options Alumax was considering.

those areas than in North America. Mr Born said that, if the Icelandic project went ahead, Alumax would have 40 per cent and be operator, Hoogovens and Granges would each have 30 per cent.

balance this year but demand would outpace the available metal in 1997 and 1998, he suggested.

Vietnam's mining law disappoints investors

Explorers still do not know if they have the right to mine what they find, writes Jeremy Grant

Foreign investors in Vietnam are used to waiting months for government decisions, but the five years Hanoi has taken to produce a mineral law has tested the patience of mining companies...

whether foreigners have the right to mine what they find. About 20 foreign companies, mostly Australian, have been looking at minerals in Vietnam for the past three years.

There are other reasons to grumble, mining company officials say. One further cause for complaint is the giving of discretionary powers to the government to ban the export of certain minerals on a list to be issued "from time to time".

Other issues crucial to financing, such as tax and royalty levels, have been omitted after having been included in earlier drafts.

Some mining companies feel that the law is deliberately vague and hope that implementing rules - which normally follow any piece of legislation in Vietnam - will clarify matters.

COMMODITIES PRICES

BASE METALS. LONDON METAL EXCHANGE. ALUMINIUM, 36 1/2, 199.50, 199.75...

Precious Metals continued. GOLD COMEX (100 Troy oz), Silver (100 Troy oz).

GRAINS AND OIL SEEDS. WHEAT LCE (5 per tonne), Maize (5,000 mt), Soybeans (5,000 mt).

SOFTS. COCOA LCE (\$/tonne), Coffee LCE (\$/tonne), Sugar LCE (\$/tonne).

MEAT AND LIVESTOCK. LEAF CATTLE CME (\$/cwt), Live Hog (CME), Pork Bellies (CME).

LONDON TRADED OPTIONS. ALUMINIUM (99.97% LME), COPPER (Grade A LME), COCAOA LCE, BRENT CRUDE OIL.

PRECIOUS METALS. LONDON BULLION MARKET. Gold (spot), Silver (spot), Platinum (spot).

ENERGY. CRUDE OIL NYMEX (1,000 barrels), Heating Oil NYMEX (42,000 US gal), Natural Gas NYMEX (10,000 mcf).

FUTURES DATA. All futures data supplied by CME. Includes data for various commodities like Wheat, Corn, Soybeans, etc.

LONDON SPOT MARKETS. CRUDE OIL FOB (per tonne), Gas Oil, Jet fuel, Diesel.

LONDON SPOT MARKETS. Natural Gas (Panna/therm), Rubber (LME), Tin (LME), Lead (LME).

JOTTER PAD. The solution is HP Computer Systems. Includes HP logo and text.

CROSSWORD

No.9,081 Set by ADAMANT. Crossword puzzle grid and clues. Includes 'Across' and 'Down' sections.

PRECIOUS METALS

PRECIOUS METALS. LONDON BULLION MARKET. Gold (spot), Silver (spot), Platinum (spot), Rhodium (spot).

UNLEADED GASOLINE. WNYC (42,000 US gal). Includes price change, high, low, and volume.

INDEXES. REUTERS (Base: 1987=100), CDS Futures (Base: 1987=100), GSCI Spot (Base: 1970=100).

INTERNATIONAL CAPITAL MARKETS

Bank's gilt auction goes better than expected

By Samer Iskander in London and Maggie Urry in New York
European bond markets continued to trade in a tight range, with high-yielding markets again outperforming.

bonds due 2021. The price tail, the difference between the average price and the lowest accepted bid, was only 0.1 compared with 0.2 at the previous auction in February.

day, Mr Adams said gilts had been supported by the rally of the high-yielding markets - notably Italy. He warned of a possible correction in gilt yields once this support is withdrawn.

two-year note was trading down 1/8 at 99 1/8, yielding 6.029 per cent. Meanwhile, the benchmark 30-year Treasury was down 1/8, at 98 1/2 to yield 6.861 per cent.

Spanish bonds also had a positive session. The June 10-year bono future closed at 98.78, up 0.11.

The US Treasury bond market drifted lower yesterday morning ahead of the early afternoon auction of two-year notes. The Treasury was selling \$18.75bn of the notes, and traders predicted good demand for the paper around current levels.

Ford Motor Credit's \$750m issue leads busy day

By Conner Middelmann
The primary eurobond market had another busy session yesterday, absorbing a slew of US dollar deals and offerings to a wide range of other currencies.

2 basis points over Canada's recent five-year issue. This benchmark issue represents an important departure for the Council of Europe, which in recent years has been issuing mostly small, short-dated deals targeted at European retail investors.

Also in sterling, Bayerische Hypo launched \$150m of long four-year bonds aimed largely at retail investors, especially in Switzerland, where sterling's recent appreciation against the Swiss franc sparked retail buying.

UBS, joint lead with Banco Finantia. In the D-Mark sector, DSL Bank issued DM500m of five-year bonds aimed at institutional investors, rather than its usual retail base.

off the new five-year government benchmark note, the Bobl 11c, lead manager Goldman Sachs said.

BENCHMARK GOVERNMENT BONDS table with columns for Coupon, Red Date, Price, Day's Change, Yield, Week ago, Month ago.

INTERNATIONAL BONDS table with columns for Issuer, Coupon, Price, Yield, Maturity.

NEW INTERNATIONAL BOND ISSUES table with columns for Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner.

FT-ACTUARIES FIXED INTEREST INDICES table with columns for Index, Value, % Change, % Yield.

FT FIXED INTEREST INDICES table with columns for Index, Value, % Change, % Yield.

GILT EDGED ACTIVITY INDICES table with columns for Index, Value, % Change, % Yield.

US INTEREST RATES table with columns for Rate, Yield, Term.

BOND FUTURES AND OPTIONS table with columns for Index, Price, Change, Bid, Offer.

UK GILTS PRICES table with columns for Index, Price, Change, Bid, Offer.

DEUTSCHE MARK STRAIGHTS table with columns for Index, Price, Change, Bid, Offer.

Other Fixed Interest table with columns for Index, Price, Change, Bid, Offer.

CONVERTIBLE BONDS table with columns for Index, Price, Change, Bid, Offer.

Novel E European derivatives product

By Vincent Boland in Prague
A new derivatives product that will allow investors access to the Czech, Hungarian and Polish stock markets without buying shares directly was unveiled yesterday.

icates for these markets and the investment bank said they may be the first for any market using the IFC Investable Indices. The issues are aimed at retail investors seeking access to central Europe's emerging markets.

UBS wins mandate for Croatian bank placement

By Gavin Gray in Zagreb
Union Bank of Switzerland was mandated yesterday to arrange an international equity placement for Zagreb's largest bank, the second-largest bank in Croatia.

subscribed and its share price has nearly doubled since its listing on the London stock exchange in April.

EUROPEAN GOVERNMENT BONDS table with columns for Index, Price, Change, Bid, Offer.

EUROPEAN GOVERNMENT BONDS table with columns for Index, Price, Change, Bid, Offer.

EUROPEAN GOVERNMENT BONDS table with columns for Index, Price, Change, Bid, Offer.

EUROPEAN GOVERNMENT BONDS table with columns for Index, Price, Change, Bid, Offer.

EUROPEAN GOVERNMENT BONDS table with columns for Index, Price, Change, Bid, Offer.

EUROPEAN GOVERNMENT BONDS table with columns for Index, Price, Change, Bid, Offer.

EUROPEAN GOVERNMENT BONDS table with columns for Index, Price, Change, Bid, Offer.

EUROPEAN GOVERNMENT BONDS table with columns for Index, Price, Change, Bid, Offer.

Financial Times International Capital Markets section, including various disclaimers and contact information.

MARKETS REPORT

Dollar firmer as markets wait on Bundesbank

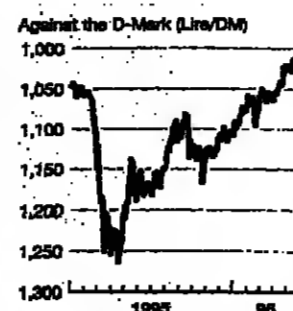
By Philip Gawth

The dollar yesterday continued its slow upward march against the yen and the D-Mark, but lacked the momentum to break through important technical resistance levels.

Markets are still searching for the catalyst that will drive it above DM1.5555, a 50 per cent retracement of the 1994-5 decline, and ¥110.50, a 38.3 per cent retracement of the five year downturn between 1980 and 1985.

months ago. Now, it seems, it is the turn of the Swiss franc, which many economists consider the world's leading currencies.

Since touching SFr0.8052 at the beginning of April, the Swiss franc has rallied by more than two per cent against the D-Mark to around SFr0.833.



Source: FT Data

Analysts are confident that the Swiss National Bank will be happy to encourage an easier economic policy in order to stimulate the economy.

The value of the lira has also been occupying the market as speculation about Italy's re-entry into the ERM has risen.

He believes, though, that this rate would still offer Italy a small margin of competitiveness.

sterling is the beneficiary of a benign conjuncture in the currency markets - ironically, at a time when the government's position looks ever more bleak.

On the one hand, it is profiting from the rally in the dollar. On the other, as economists at Chase in London argue, it may be the beneficiary of almost any EMU scenario.

It may also be that the market is both discounting, and stating a preference for, a Labour election victory.

POUND SPOT FORWARD AGAINST THE POUND

Table showing POUND SPOT FORWARD AGAINST THE POUND with columns for May 29, Closing mid-point, Change on day, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing DOLLAR SPOT FORWARD AGAINST THE DOLLAR with columns for May 29, Closing mid-point, Change on day, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and J.P. Morgan index.

OTHER CURRENCIES

Table showing OTHER CURRENCIES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and J.P. Morgan index.

CROSS RATES AND DERIVATIVES

Table showing CROSS RATES AND DERIVATIVES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

JAPANESE YEN FUTURES

Table showing JAPANESE YEN FUTURES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

STERLING FUTURES

Table showing STERLING FUTURES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

UK INTEREST RATES

Table showing UK INTEREST RATES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

EMU EUROPEAN CURRENCY UNIT RATES

Table showing EMU EUROPEAN CURRENCY UNIT RATES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

WARRANTS

Table showing WARRANTS with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

BASE LENDING RATES

Table showing BASE LENDING RATES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

THREE MONTH EURO/DOLLAR

Table showing THREE MONTH EURO/DOLLAR with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

OFFSHORE COMPANIES

Table showing OFFSHORE COMPANIES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

MEMBERS OF LONDON ASSOCIATION

Table showing MEMBERS OF LONDON ASSOCIATION with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

EUROAREA OPTIONS

Table showing EUROAREA OPTIONS with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

PETROLEUM ARGUS DAILY OIL PRICE REPORTS

Table showing PETROLEUM ARGUS DAILY OIL PRICE REPORTS with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

WORLD INTEREST RATES

Table showing WORLD INTEREST RATES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

EURO CURRENCY INTEREST RATES

Table showing EURO CURRENCY INTEREST RATES with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

THREE MONTH EURO/DOLLAR

Table showing THREE MONTH EURO/DOLLAR with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

THREE MONTH EURO/STERLING

Table showing THREE MONTH EURO/STERLING with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

THREE MONTH EURO/FRANK

Table showing THREE MONTH EURO/FRANK with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

THREE MONTH EURO/SCHEFFEL

Table showing THREE MONTH EURO/SCHEFFEL with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

THREE MONTH EURO/DEMETER

Table showing THREE MONTH EURO/DEMETER with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

THREE MONTH EURO/STANDARD

Table showing THREE MONTH EURO/STANDARD with columns for May 29, Bid/offer, Bid/offer spread, Day's high/low, One month rate, Three months rate, One year rate, and Bank of England index.

European products advertisement text.

Advertisement text for bank placement.

BERKELEY FUTURES LIMITED advertisement.

FUTURES AND OPTIONS TRADING advertisement.

MARGINED FOREIGN EXCHANGE TRADING advertisement.

Futures & Options advertisement.

WANT TO KNOW A SECRET? advertisement.

CITY INDEX advertisement.

Margined FOREX advertisement.

OFFSHORE COMPANIES advertisement.

Petroleum Argus Daily Oil Price Reports advertisement.

PaMarket-Eye advertisement.

Futures Traders: Save on Every Trade advertisement.

KOREA LIBERALISATION FUND LIMITED advertisement.

FAST 64 KBIT SATELLITE TECHNOLOGY advertisement.

FOREX, FUTURES, OPTIONS, EQUITIES, NEWS advertisement.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector with columns for company name, price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, price, and change.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Eqpt sector table.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, price, and change.

ENGINEERING - Cont.

Continuation of Engineering sector table.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector with columns for company name, price, and change.

HEALTH CARE

Table listing companies in the Health Care sector with columns for company name, price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, price, and change.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, price, and change.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Inv Trusts Split Capital sector with columns for company name, price, and change.

Advertisement for Hewlett-Packard and Computacenter. Text includes: 'Print leader, performance servers, managed desktops. From the UK's leading provider of distributed IT systems and services. Computacenter'.

Large table on the right side of the page containing various financial data, likely a continuation of the Investment Trusts or other sectors.

Handwritten text in Arabic script: 'السيد محمد العبدالله'

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

AM - Cont.

Table listing American companies with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

RETAILERS, GENERAL - Cont.

Table listing general retailers with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

AM

Table listing American companies with columns for Name, Price, and % Change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, and % Change.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and % Change.

MEDIA

Table listing media companies with columns for Name, Price, and % Change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

Templeton advertisement: Seeking out under-valued investments across the globe... HOW TO INVEST THE TEMPLETON WAY. AS EXPLAINED BY THE UGLY DUCKLING.

AMERICANS

Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service delivered by FT... & FT Free Annual Reports Service... FT Cityline... FT Up-to-the-second share prices are available by telephone from the FT Cityline service.

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 679 4978 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda (SIB RECOGNISED) funds with columns for Name, ISIN, and Price.

BERMUDA (REGULATED)**

Table listing Bermuda (REGULATED)** funds with columns for Name, ISIN, and Price.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB RECOGNISED) funds with columns for Name, ISIN, and Price.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB RECOGNISED) funds with columns for Name, ISIN, and Price.

IRELAND (REGULATED)**

Table listing Ireland (REGULATED)** funds with columns for Name, ISIN, and Price.

ROYAL BK OF CANADA O/S FUND MGRS LTD - CONT.

Table listing Royal Bank of Canada O/S Fund Mgrs Ltd funds.

GUERNSEY (REGULATED)**

Table listing Guernsey (REGULATED)** funds.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey (SIB RECOGNISED) funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB RECOGNISED) funds.

IRELAND (REGULATED)**

Table listing Ireland (REGULATED)** funds.

LET Asset Management Ltd

Table listing LET Asset Management Ltd funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB RECOGNISED) funds.

IRELAND (REGULATED)**

Table listing Ireland (REGULATED)** funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB RECOGNISED) funds.

IRELAND (REGULATED)**

Table listing Ireland (REGULATED)** funds.

Dubai Europe Fund Mgrs Ireland Ltd - Cont.

Table listing Dubai Europe Fund Mgrs Ireland Ltd funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB RECOGNISED) funds.

IRELAND (REGULATED)**

Table listing Ireland (REGULATED)** funds.

IRELAND (SIB RECOGNISED)

Table listing Ireland (SIB RECOGNISED) funds.

IRELAND (REGULATED)**

Table listing Ireland (REGULATED)** funds.

Bank of Ireland Asset Mgrs (O/S) Ltd

Table listing Bank of Ireland Asset Mgrs (O/S) Ltd funds.

ISLE OF MAN (REGULATED)**

Table listing Isle of Man (REGULATED)** funds.

JERSEY (SIB RECOGNISED)

Table listing Jersey (SIB RECOGNISED) funds.

JERSEY (REGULATED)**

Table listing Jersey (REGULATED)** funds.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB RECOGNISED) funds.

DIVERSO International Limited - Cont.

Table listing Diverso International Limited funds.

LUXEMBOURG (SIB RECOGNISED)

Table listing Luxembourg (SIB RECOGNISED) funds.

LUXEMBOURG (REGULATED)**

Table listing Luxembourg (REGULATED)** funds.

JERSEY (SIB RECOGNISED)

Table listing Jersey (SIB RECOGNISED) funds.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB RECOGNISED) funds.

Fidelity Funds - Cont.

Table listing Fidelity Funds.

LUXEMBOURG (SIB RECOGNISED)

Table listing Luxembourg (SIB RECOGNISED) funds.

LUXEMBOURG (REGULATED)**

Table listing Luxembourg (REGULATED)** funds.

JERSEY (SIB RECOGNISED)

Table listing Jersey (SIB RECOGNISED) funds.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB RECOGNISED) funds.

Sarsin Investment SICAV (a)

Table listing Sarsin Investment SICAV (a) funds.

LUXEMBOURG (SIB RECOGNISED)

Table listing Luxembourg (SIB RECOGNISED) funds.

LUXEMBOURG (REGULATED)**

Table listing Luxembourg (REGULATED)** funds.

JERSEY (SIB RECOGNISED)

Table listing Jersey (SIB RECOGNISED) funds.

ISLE OF MAN (SIB RECOGNISED)

Table listing Isle of Man (SIB RECOGNISED) funds.

Handwritten signature or stamp at the bottom of the page.

USTS - Cont.

Handwritten note: 100/150

FT MANAGED FUNDS SERVICE

FT Cyteline Unit Trust Prices are available over the telephone. Call the FT Cyteline Help Desk on (+44 171) 873 4378 for more details.

Main table containing various fund categories: Credit Investment Funds, Money Market Funds, Global Investment Funds, Royal Life International, Global Investment Management Ltd, and Offshore Insurances. Each entry includes fund name, price, and change.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Notes and disclaimers regarding the fund service, including information about the FT Cyteline Help Desk and the FT Managed Funds Service.

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie edges higher as bid battle develops

By Philip Coggan, Markets Editor

More bid activity in the utilities sector and a reasonably successful outcome to the £3bn gilt auction helped the UK stock market move ahead again yesterday. But trading continued to be subdued.

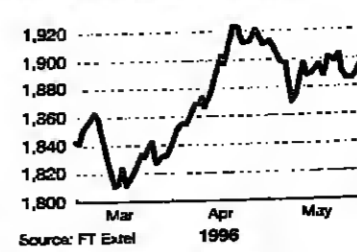
With British Gas and BT also performing well, the utilities area held the market up in the face of Tuesday's overnight weakness on Wall Street, where the Dow Jones Industrial Average dropped 53 points.

The Dow's fall meant the Footsie started the day on a bad note, falling 8.5 points early on, but the index quickly recovered.

One early worry was relieved in the morning when the £3bn long-dated gilt auction proved reasonably successful, with cover of around two times. Nevertheless, gilts ended slightly down on the day, with the benchmark 10-year

was just £1.3bn, despite the boost from the Southern Water bid. Few analysts are taking an aggressive line on the market's likely direction.

FT-SE-A All-Share index



Indices and ratios

Table with 3 columns: Index Name, Value, Change. Includes FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, and FT-SE-A All-Share yield.

Equity shares traded

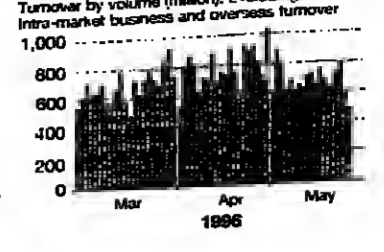


Table with 3 columns: Index Name, Value, Change. Includes FT Ordinary Index, FT-SE Non-Financial, FT-SE 100 FT Jun, 10 yr Gilt yield, and Long gilt/Equity yield ratio.

Table with 3 columns: Sector Name, Value, Change. Lists best performing sectors like Water, Gas Distribution, and Utilities.

Rival bid buoys waters

Blood is thicker than water and the prospect of a bloody bid battle duly pumped the water sector higher yesterday.

Additional 19 to 707p in acknowledgment of the heavy price that it will have to pay. Meanwhile, Scottish Power bounced 6 to 325p and Southern Water added a further 46 to 967p.

Among the other takeover candidates within the sector, Thames gained 35 to 589p, the highest rise in the Footsie. It was closely followed by Severn Trent, up 34 to 569p in turnover of 4.8m.

The second line index was topped by Yorkshire, which jumped 68 to 758p. Wessex, which rose 28 to 360p, and Anglian, up 27 to 569p, with an additional lift from well received figures.

Lucas recovers Motor engine Lucas Industries, a dull market lately on talk of "take profits" advice from a leading broker, recovered a penny after another energetic two-way pull for the stock.

Insiders say Southern Electric, which has had its expansionist dreams shattered so many times before, has to succeed and is prepared to pay up to £15 a share for Southern Water if the battle goes that far.

Friday's announcement that Lucas's talks with Vario, of the US, were progressing well was said to have been interpreted by one City engineering analyst to be somewhat of a sell signal, on the basis that Lucas was heading for an outright merger.

A merger, so the story went, could well be ruled out the long vaunted hostile bid for the group. A deal with Vario would put Lucas "out of play".

However, the stock clawed back a penny to 249p in 3.4m volume. "If anyone is keen to buy Lucas, they will simply be waiting to see what sort of deal is planned with Vario before

that the group had stepped into the thick of the cross-Channel price war. The Channel tunnel operator is drastically reducing its share prices, and the stock put on 2 at 87p.

Scottish Power is probably ready to go the distance as well, but all investors are aware that there is bound to be a loser somewhere along the line.

Consequently, although sector valuations have been lifted by the takeover war, there will be more to come. One argument being touted was that PowerGen, thwarted in its ambitions to take over another rec, could plausibly bid for Severn Trent.

Elsewhere, Wessex is seen as a rational target, as is Anglian, the east of England water authority, which released top of the range figures and a big dividend increase.

Southern Electric dipped an additional 19 to 707p in acknowledgment of the heavy price that it will have to pay. Meanwhile, Scottish Power bounced 6 to 325p and Southern Water added a further 46 to 967p.

Among the other takeover candidates within the sector, Thames gained 35 to 589p, the highest rise in the Footsie. It was closely followed by Severn Trent, up 34 to 569p in turnover of 4.8m.

FINANCIAL TIMES EQUITY INDICES

Table with 3 columns: Index Name, Value, Change. Includes Ordinary Shares, P/E ratio, and Ordinary Shares hourly changes.

London market starts

Table with 3 columns: Index Name, Value, Change. Includes FT-SE AIM, Total Shares, and Total Value.

FT-SE 100 INDEX FUTURES (LIFE) £25 per full index point

Table with 3 columns: Index Name, Value, Change. Includes Jun, Sep, and Dec futures contracts.

FT-SE MID 250 INDEX FUTURES (LIFE) £10 per full index point

Table with 3 columns: Index Name, Value, Change. Includes Jun and Dec futures contracts.

FT-SE 100 INDEX OPTION (LIFE) (£375) £10 per full index point

Table with 3 columns: Index Name, Value, Change. Includes Jun and Dec call and put options.

Tongyang Nylon Co., Ltd. Notice of Bondholders' Additional Option to Redeem Bonds on 10th July, 1998. Includes details of U.S. \$30,000,000 3% per cent. Convertible Bonds due 2005.

WWF World Wide Fund For Nature. TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE. Includes WWF logo and contact information.

FT-SE Actuarial Share Indices. Table with 3 columns: Index Name, Value, Change. Lists various actuarial indices like FT-SE 100, FT-SE Mid 250, etc.

FUTURES AND OPTIONS

Table with 3 columns: Index Name, Value, Change. Includes FT-SE 100 Index Futures and FT-SE Mid 250 Index Futures.

Table with 3 columns: Index Name, Value, Change. Includes FT-SE 100 Index Option and Euro Style FT-SE 100 Index Option.

Table with 3 columns: Index Name, Value, Change. Includes Market Reporters: Peter John, Lisa Wood, Jeffrey Brown.

LONDON RECENT ISSUES: EQUITIES

Table with 3 columns: Issue Name, Price, Change. Lists recent equity issues like F&P, B&S, and others.

FT GOLD MINES INDEX

Table with 3 columns: Index Name, Value, Change. Includes Gold Mines Index and Regional Indices.

FT-SE Actuarial Share Indices

Table with 3 columns: Index Name, Value, Change. Lists FT-SE Actuarial Share Indices like FT-SE 100, FT-SE Mid 250, etc.

FT-SE Actuarial All-Share

Table with 3 columns: Index Name, Value, Change. Lists FT-SE Actuarial All-Share indices like 10 Mineral Extraction, 12 Extractive Industries, etc.

FT-SE Actuarial All-Share

Table with 3 columns: Index Name, Value, Change. Lists FT-SE Actuarial All-Share indices like 20 General Industrial, 24 Diversified Industrials, etc.

FT-SE Actuarial All-Share

Table with 3 columns: Index Name, Value, Change. Lists FT-SE Actuarial All-Share indices like 30 Consumer Goods, 32 Alcoholic Beverages, etc.

FT-SE Actuarial All-Share

Table with 3 columns: Index Name, Value, Change. Lists FT-SE Actuarial All-Share indices like 40 Services, 42 Leisure & Hobbies, etc.

FT-SE Actuarial All-Share

Table with 3 columns: Index Name, Value, Change. Lists FT-SE Actuarial All-Share indices like 50 Investment Trusts, FT-SE-A Pledging, etc.

Additional information on the FT-SE Actuarial Share Indices is published in Saturday issues.

TRADING VOLUME

Major Stocks Yesterday

Large table with 3 columns: Stock Name, Price, Change. Lists trading volume for major stocks like ASDA Group, Anglo American, etc.

Thursday, May 30, 1996

WORLD STOCK MARKETS

EUROPE (May 29 / %)

EUROPE (May 29 / %)

EUROPE (May 29 / %)

EUROPE (May 29 / %)

EUROPE (May 29 / %)

EUROPE (May 29 / %)

EUROPE (May 29 / %)

EUROPE (May 29 / %)

EUROPE (May 29 / %)

EUROPE (May 29 / %)

Rockwell supplies virtually every European car manufacturer with automotive components and systems

INDEX FUTURES

US INDICES

ASIA (May 29 / %)

TOKYO - MOST ACTIVE STOCKS

Vertical text on the far left edge of the page, partially cut off.

Vertical text on the far right edge of the page, partially cut off.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock name, price, change, and volume. Includes sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Advertisement for Hewlett-Packard with the text 'Time waits for no one. If the business decisions are yours, the computer system should be ours.' and the HP logo.

Handwritten text: 'L'Espresso' written in a stylized font.

Continued on next page

NYSE PRICES

4 pm close May 29

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'AMER PRICES'.

AMER PRICES

4 pm close May 29

Table of American stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'AMER PRICES'.

NASDAQ NATIONAL MARKET

4 pm close May 29

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'NASDAQ NATIONAL MARKET'.

AMER PRICES

4 pm close May 29

Table of American stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'AMER PRICES'.

AMER PRICES

4 pm close May 29

Table of American stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'AMER PRICES'.

NASDAQ NATIONAL MARKET

4 pm close May 29

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'NASDAQ NATIONAL MARKET'.

Advertisement for 'The Netherlands' featuring the slogan 'Have your FT hand delivered in The Netherlands.' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.' Includes contact information and a list of cities.

AMERICA

Search for direction leaves Dow volatile

Wall Street

US stocks spent a volatile morning after Tuesday's fall, searching for direction, writes Maggie Urry in New York. The Dow Jones Industrial Average, which had fallen by as much as 23 points by mid-morning, rallied then slipped back once again. By 1 pm the Dow was just below 5,700, off 9.98 at 5,690.69.

To \$106 1/2 after the computer group announced that it would start shipping a new line of pentium based net servers in July. Meanwhile, shares of Sun Microsystems fell \$2 to \$82 in spite of a series of announcements for new uses for Sun's Java technology (Java is a language used for Internet applications).

Canada Toronto was steady as golds flattened out again, the TSE 300 composite index easing 0.79 to 5,218.53 at midday and volume coming back from \$3.94m shares to 41.15m. Financials reflected good bank results, Bank of Nova Scotia gaining 30 cents at C\$63.10 after its record second quarter net profits.

EUROPE

Interest rate worries hit Swiss financials

Most financials fell in ZURICH, brokers worrying that a drop in domestic bonds implied the prospect of higher interest rates. Rumours about a possible bond downgrade of SBC and CS Holding by a rating agency also contributed to negative sentiment as the SMI index lost 25.4 at 3,558.4. SBC lost SF4.50, or 2 per cent, at SF231. UBS registered fell SF5 to SF254, and Zurich Insurance shed SF4 to SF234 although it talked about double-digit growth in profits, until and including 1999.

FFr7.10, after the cross-channel operator made a number of announcements, including a revised pricing structure for Le Shuttle services. The company added that it did not consider that it would be impossible to reach a draft agreement with its 225 creditor banks on a debt restructuring package by the end of June. FRANKFURT daytraded about a repo rate cut, failed to get it and resorted to pushing vulnerable stocks around as the Dax index fell 10.62 to an fbi-indicated 2,543.53.

FT-SE Actuaries Share Indices table with columns for Date, Open, High, Low, Close and various indices like FT-SE 100, FT-SE 250, etc.

21-month high on Tuesday, but many traders felt that the decline was temporary and that the underlying trend remained strong. The ATX index lost 3.14 to 1,139.37. An exception to the day's fortunes was VA Stahl, the steel maker, which rose \$6 to \$38.7, a record peak. HSBC James Capel in London, which has a buy recommendation on the stock, said the group was a beneficiary of having stable contract prices, compared with many other suppliers which were linked to fluctuations in the spot market.

Profits taken in Latin America

Profit-taking was much in evidence throughout the region early yesterday, in MEXICO CITY the IPC index was off 20.60 to 3,294.75 at mid-session. SAO PAULO, which on Tuesday had risen by 1.5 per cent, was another market in decline, and by midday the Bovespa index had lost 390.28 to 56,728. Most of the session's profit-taking was in Telebras, which had gained nearly 3 per cent on Tuesday.

Telebras was responsible for 57 per cent of the trading volume. BUENOS AIRES was slightly weaker, with the Merval index down 0.57 at 610.50. In CARACAS the IBC index had surrendered 53.27 or 1.1 per cent to 4,496.03 by early afternoon. The market slipped 0.3 per cent on Tuesday following nine successive record highs.

ASIA PACIFIC

Property auction improves activity in Japan

Tokyo A rally in the property sector lifted trading as the Nikkei average broke through the 22,000 level, writes Emiko Terazono in Tokyo. The 225 index rose 76.97 to 22,021.50 after moving between 21,977.21 and 22,145.20. Technical buying supported equities in early trading and, while bargain hunting by domestic institutions provided support.

Volume was 483m shares, against 534m. The ToPIX index of all first section stocks rose 5.63 to 1,690.86 and the Nikkei 300 firm 0.90 to 310.40. Advances led falls by 622 to 421, with 173 issues unchanged. In London the ISE/Nikkei 50 index put on 4.08 at 1,467.32. Trading centred on property issues ahead of the auction of the large plot of land in central Tokyo belonging to the former Japan National Railway, which was broken up in 1987.

Investors, hoping that the property sale could spur demand for new development projects and construction, bought real estate developers. Daiyoo rose Y100 to Y881 and Tokyu Land Y34 to Y390. Contractors were also chased, with Taisei climbing Y15 to Y809 and Shimizu Y40 to Y1240. High-technology stocks lost ground on profit-taking, foreign brokers leading the selling: Hitachi fell Y30 to Y1,010 and Fujitsu Y10 to Y900.

Consumer electronics companies were mixed, Matsushita Electric Industrial rising Y20 to Y1,860 and Sony dipping Y40 to Y6,870. The yen's decline helped shipping Nippon Yusen rose Y4 to Y628 and Mitsui OSK Lines gained Y8 to Y372. In Osaka, the OSE average moved ahead 159.25 to 23,334.49 in volume of 52.7m shares.

bank might resign and the SET index receded 6.00 to 1,302.20 in volume of 66.2m shares valued at \$4.9bn. There was little acclaim for good first-quarter profits from Siam Cement. The stock moved forward B12 to B11204. Siam City Cement, which reported a 39 per cent decline in profits, was B412 weaker at B336. MANTLA, encouraged by expectations of strong economic growth data, recovered from Tuesday's profit-taking. The composite index finished 37.30 ahead at \$295.06. There were rumours that first-quarter GNP statistics, due to be released this morning, would show a rise greater than analysts' projections.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Table with columns for Market, No. of stocks, Dollar terms (May 24 1996, % Change over week), and Local currency terms (May 24 1996, % Change over week).

Emerging markets have outperformed US Treasury bonds since the beginning of 1996 and, in spite of expectations that US interest rates will rise during the third quarter of the year, Paribas Capital Markets believes that strong economic fundamentals should see this investment sector continue to do well. In a strategy report out earlier this week, Paribas also notes that a key event this year has been the successful issue of a 30-year Mexican global bond which was swapped for Brady bonds. The deal signals the beginning of a fundamental change for emerging markets, says Paribas, "and the success of that of the 15-year D-Mark bond launched by Argentina in early May, proves there is demand for uncollateralised long term emerging market risk."

Roundup

Strong speculative demand, selective foreign fund buying and the argument that equities

ASTRA advertisement featuring a world map, the text 'The American Depositary Shares representing A and B Shares of Astra AB have been listed on The New York Stock Exchange Symbols: A-A Shares AAB-B Shares', and 'MORGAN STANLEY & CO. Incorporated'.

FT/S&P ACTUARIES WORLD INDICES table with columns for NATIONAL AND REGIONAL MARKETS, US Dollar Index, Day's Change, Pound Sterling, Yen, DM, Local Currency, Gross Div. Yield, and DOLLAR INDEX Year ago.

Vertical text on the right edge of the page, including 'in election', 'ise to defend', 'sian democra', and other fragments.